*TSWELOPELE LOCAL MUNICIPALITY*

*FS 183*

*CIVIC CENTRE, BOSMAN STREET*

*BULTFONTEIN, 9670*

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*June 2020*

# MTREF 2020/2021–2022/2023

PREPARED IN ACCORDANCE WITH BUDGET REGULATIONS, MFMA CIRCULARS

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**PART 1**

## 1. Mayoral Report by Cllr. Matsholo

**2020/2021 BUDGET BY THE HONOURABLE MAYOR OF TSWELOPELE LOCAL MUNICIPALITY, COUNCILLOR FT MATSHOLO DELIVERED AT BULTFONTEIN COUNCIL CHAMBERS ON TUESDAY, 30 JUNE 2020**

Madam Speaker
Honourable Councillors
Leaders of All Other Political Parties
Municipal Manager
Director Technical Services and Managers
The Leadership of Business, Labour and Civil Society
Residents of Tswelopele Local Municipality
Distinguished Guests

Acknowledge my warm and heartfelt greetings to you.

**INTRODUCTION AND OPENING REMARKS**

Thank you once again for affording me the honour to present the Medium Term Revenue and Expenditure Framework for 2020/2021. I deliver this Budget Speech at the time the whole world is faced with the challenges of unforeseen Covid19 pandemic which is continuously taking the lives of our beloved ones and put the country in a predicament where the economy has fallen and this has been justified by the Minister of Finance Mr. Tito Mboweni. The minister reiterated that in South Africa and around the world, we have made the decision to protect each other. We have quickly adapted. We all now wear masks. We wash our hands more often. We maintain a safe social distance. As a result, millions have stayed safe. We remain deeply concerned about the path of the virus. But, in common with several other countries that adopted a stringent, early lockdown, we have “flattened the curve” and saved lives.

He further indicated that as a country we have accumulated far too much debt; this downturn will add more. This year, out of every rand that we pay in tax, 21 cents goes to paying the interest on our past debts. COVID-19 has turned the global economy upside down and this has also affected

our municipality, business and the residents in an adverse manner. Honourable speaker we see day in day out the increase in unemployment and Covid19 has result in the more increase to unemployment rate which is now 30.1% country wide. This rate is expected to increase as the pandemic still exists and the economy still going at its slowest rate.

Honourable Speaker and Councillors the 2019/ 20 Financial Year was not easy for the municipality and the country at large. The Free State Provincial economy has not recovered from the recession. Both the recession and effects of drought are felt by our communities on the ground. Many businesses were closed during the time of Covid19 lockdown and even though the lockdown is been phased out in stages some businesses are operating in limited days and hours which continues to put pressure to our local economic development. Even though the municipality is trying by employing the youth in vacant positions and EPWP projects it will not be enough to address the level of unemployment in our municipal areas.

Honourable Speaker and Councillors at large we need to acknowledge the challenges we are facing as the municipality. In so doing, we will speedily realise the need to develop strategies that will respond to these challenges.

**OUR CHALLENGES**

Our immediate challenges in service delivery include:

1. Curbing water losses and electricity losses to the acceptable level
2. Sealing of potholes and rehabilitating road network
3. Sustainable waste collection on a regular basis
4. Sustainable revenue collection
5. Water and sewer reticulations in new developments.

These are few examples of service delivery challenges which require our urgent attention. Our efforts and response in this regard are always measured by the watchful eye of our communities.

The culture of non-payment of services by the community has become one of the foremost challenges facing the municipality today, the President of the country Matamela Cyril Ramophosa in his speech also called for a culture of paying for services rendered.

The non-payment of services, translate to increase in creditors (as we are unable to pay creditors when they become due). The none-payment of suppliers within 30 days may have detrimental effects to SMME and may also work against progressive policies such as the policy on Radical Economic Transformation.

The reviewed IDP and Annual Budget I am tabling here today for approval, are the tools that will guide us in becoming responsive to the needs of the communities we serve as well as addressing the challenges we face as the municipality.

**BUDGET PROCESS FOR 2020/ 21**

The IDP and Annual Budget review process started with the approval of timelines in August 2019. The Process unfolded accordingly as per the requirements of the Municipal Systems Act and Finance Management Act, till this Council approved the Adjustment Budget, draft budget and special adjustment budget in February, March and June respectively.

The municipality exists to serve the interest of our communities. Legislation in this regard calls upon the municipality to consult communities on developmental issues within the municipal area. This is the reason why, this Council did not adopt the annual budget on 31 May 2020. We needed to consult our constituencies. Note should be taken that as a result of the Covid19 the Mayor has to use social platforms, municipal website and regional radio stations to consult the public. Honourable speaker I appreciate the efforts made by the community and stakeholder to participate in this kind of public participation process.

Honourable Speaker, in compiling the 2020/21 annual budget…

- We have followed the Municipal Finance Management Act, the Municipal Systems Act, Municipal Property Rates Act and other legislation that regulates this process.
- We have observed the requirements of the Municipal Budget and Reporting Regulations;
- We have taken cue from the National Treasury Budget Circulars;
- We have consulted with strategic institutions such as NERSA;
- Most importantly, we have consulted the Community of Tswelopele and all stakeholders that will be affected by this budget.

**ALIGNMENT BETWEEN NATIONAL AND PROVINCIAL PRIORITIES**

The Municipality cannot change the lives of our people and pursue the developmental agenda in isolation from the other spheres of government. In this regard, our plans and strategies must take cue from the State of the nation Address by the President as well as the State of the Province by the Premier of the Free State.

We are committed as the municipality to…

1. Improving access to sustainable basic services,
2. Fighting poverty amongst our communities
3. Creating employment opportunities through government programmes
4. Creating a conducive environment for our people to participate
5. Providing land (both business and residential purposes) to our people.

Honourable Speaker the municipality has a programmes that talks directly to these objectives. The following are some of the key projects (which have been budgeted for) that impact positively in the lives of the residents of Tswelopele local Municipality.

1. Poverty alleviation programmes
2. Pauper Burials
3. HIV/AIDS campaign.
4. Provision of free basic services to registered indigent households.
5. Creating employment opportunities in our infrastructure roll out plan.

Honourable Councillors and the community at large, the 2020/21 medium term budget I am presenting here today attempts to strike a balance between financial sustainability of the municipality (in light of the prevailing economic conditions within the municipality) as well as maintaining service delivery imperatives to ensure that basic services are provided in a sustainable manner.

In this regard, I would like to extend my sincere gratitude to all the residents and businesses who continue to sustain this municipality by paying for their services. It is my ardent wish that you continue with this good practice as responsible residents of Tswelopele Municipality.

Madam Speaker, the underlying principles of this budget are as follows:

1. Strengthening financial management and accountability within the municipality;
2. Striving for financial sustainability by ensuring that the expenditure is aligned to the revenue;
3. Observe the cost containment measures and eliminate spending on non-core services;
4. Ensuring that the municipality generates enough revenue to ensure positive working capital.

**Operating revenue budget**

Honourable Speaker, full details on allocations for each of the departments are contained in the budget book (agenda) circulated to Councillors. At a high level, the operating revenue budget of the Municipality is R165 million. This revenue is generated from the following major revenue sources:

- Property rates R21 million
- Service charges for electricity R42.5 million
- Service charges for water R6.3 million
- Service charges for sanitation R7.3 million
- Service charges for refuse R4.9 million

The municipality is also receiving about R82 million in terms of the operating grants and subsidies. Included in this amount is Equitable Share which is also used to subsidise the registered Indigent Households and Financial Management Grant which is used to build capacity within the Budget and Treasury Office including employment of the Financial Management Interns. Other revenue sources are indicated in the budget document which is before Councillors.

**Tariff structuring**

Madam Speaker, the Municipality annually reviews its tariffs in line with the Municipality's Tariff Policy. The policy provides a broad framework within which Municipal Council can determine fair, transparent and affordable service charges that also promote the sustainability of service provision, taking into account the social, economic and financial imperatives of the Municipality.

We have learnt of the deficiencies on tariff structuring within the municipality. This has led to the municipality's tariffs not being cost reflective. The need has aroused for the municipality to gradually address this deficiency and we agree that it cannot be a once off endeavour.

Accordingly, tariff increase for the 2020/21 financial year is in line with the inflation. Our tariffs will increase with 5% on trading services (water service; refuse service; sanitation). Property rates and other services will also increase with 5%. Honourable Councillors, the National Electricity Regulator of South Africa has approved a tariff guideline of 6.24% for municipalities.

A detailed tariff list is attached to the budget document and I urge both Councillors and Communities to familiarise themselves with the contents therein.

**Operating expenditure budget**

Honourable Speaker, the economic turmoil within in the country and specific to our municipality forces us to do more with less resources. Accordingly, I submit to this Council, an operating expenditure budget of R165.9 million. The major components of the expenditure are as follows:

| | |
|---|---|
| Employee related costs | R70.3 million |
| Remuneration of Councillors | R6.8 million |
| Bulk purchases (water and electricity) | R41.3 million |
| Finance charges | R2.5 million |

Included in the total operating expenditure budget is R33 million of non-cash items (Debt impairment and depreciation at R13 million and R20 million respectively). After accounting for other expenditure, the annual budget of the municipality is funded in line with the requirements of the Municipal Finance Management Act.

**Capital expenditure and funding**

| **Project description** | **Total Planned Expenditure foe 2020/2021** |
|---|---|
| | |
| Tikwana/Hoopstad: The construction of 2km paved road and storm water drainage (Ward 6&7) (MIS:356848) | R 1 547 149.62 |
| Phahameng/Bultfontein: Construction of 837 toilet structures (MIS:309573) | R 10 486 447.94 |
| Tikwana/Hoopstad: Construction of toilet structures & sewer connections – reticulation (499 sites) (MIS:270187) | R 2 893 652,58 |
| Refurbishment of Sewer Pump stations in Tikwana (WSIG) | R 4 500 476 |

| | |
|---|---|
| Construction of Sewer reticulation and toilet structures in Ext 9 Phahameng. (WSIG) | R 5 499 524 |
| The Construction of Sewer and Water Reticulation in Phahameng Extension 10 | R1 477 749,86 |
| | R26 405 000,00 |

The budget is funded mainly from Municipal Infrastructure Grant, water and sanitation infrastructure grant at R26.4 million. Honourable Speaker, we have noted with a concern that the municipality is unable to fund capital expenditure from its on internally generated funds. In this regard, we request the communities to improve their payment rate so that we can raise enough capital to pursue infrastructure development.

**CONCLUSION**

Madam Speaker to prepare a budget that will stand up for scrutiny requires an ability to take advises from many quarters to analyse them and test them.

Amongst the sources of ideas, is the broader public consultation and engagement in the process and taking ownership of the budget. This year all stakeholders have shared their ideas with us and can assure you their inputs have been taken into consideration. This includes:

1. Prioritising basic infrastructure as opposed to social services
2. The need for installation of pre-paid meters
3. The rehabilitation of roads
4. Promotion of the local economy
5. Provision of job opportunities
6. Curbing the losses on both water and electricity
7. Community safety

After having considered all the proposals, I am privileged to present this annual budget as a statement of collective responsibility for Tswelopele Local Municipality

In this regard Madam Speaker allow me to extend my sincere appreciation to the entire council of Tswelopele for their undivided support. Let me also acknowledge the support provided by the Municipal Manager; Directors and every official who was involved in this process.

Honourable Speaker and Councillors at large, I hereby table Reviewed 2020-21 IDP and Budget of Tswelopele Local Municipality for the fiscal year ending 30 June 2021 for your consideration and approval.

**2. Budget resolution by Council**

**3 / 06 ANNUAL BUDGET: 2020 / 2021 FINANCIAL YEAR**
**MINUTES:** SPECIAL COUNCIL MEETING **DATE :** 30 JUNE 2020

**1. PURPOSE**

This item is submitted to Council for consideration of the Annual Budget for the 2020 / 2021 financial year as required by the Municipal Finance Management Act, 2003 [Act 56 of 2003].

**2. BACKGROUND**

In terms of the Municipal Finance Management Act, 2003, Act 56 of 2003, section 24 (2)(a), the annual budget of the Municipality must be approved before the start of the new financial year, section 24 (2)(b), annual budget is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i) and section 24 (2)(c) annual budget of the Municipality must be approved together with the adoption of resolutions as may be necessary.

It is crucial that the Council approves the annual budget before the start of the financial year [i.e. approval must be done by the latest 30 June 2019]. Failure by Council to approve the annual budget before the beginning of the financial year would mean that the Mayor must report to the member of the executive council responsible for local government in the province, highlighting the reasons why the budget could not be approved.

**3. STAKEHOLDERS CONSULTED**

- None.

**4. LEGAL IMPLICATIONS**

- Compliance with Municipal Finance Management, 2003 [Act 56 of 2003].
- Compliance with Municipal Budget and Reporting Regulations.

**5. STAFF IMPLICATIONS**

- None.

**6. FINANCIAL IMPLICATIONS**

- Approval of the item as submitted will constitute the approved annual operating revenue budget; operating expenditure budget, annual capital

expenditure budget and funding sources for the annual capital expenditure budget for the 2020 / 2021 financial year.

- The following are the proposed tariff increases for 2020 / 2021 financial year:
  - Property Rates for all other properties : 5.00%
  - Property Rates for agricultural properties : 5.00%
  - Water : 5.00%
  - Refuse : 5.00%
  - Sanitation : 5.00%
  - Electricity : 6.22%

- All other tariff increases are per the Tariff List of the Municipality.
- The tariff for electricity is as approved / recommended by NERSA.

## 7. RISKS

- The municipality maybe unable to render services to the community due to non-availability of financial resources if the budget is not approved.
- Section 139 of the Constitution may be imposed on the Council of the Municipality.

## 8. ANNEXURE [MEMORY STICK]

- Budget with table A1 – A10 in terms of the Municipal Budget and Reporting Regulations.
- Budget related policies.
- 2020 / 2021 Tariff List.

## 9. RECOMMENDATION

1. That the annual budget of the Municipality for the financial year 2020 / 2021, 2021 / 2022 and 2022 / 2023 be approved as set out in:
   - [a] Table A1: Budgeted Summary.
   - [b] Table A2: Budgeted financial performance [revenue & expenditure by standard classification].
   - [c] Table A3: Budgeted financial performance [revenue & expenditure municipal vote].
   - [d] Table A4: Budgeted Financial performance [revenue & expenditure].
   - [e] Table A5: Budgeted capital Expenditure by vote, standard classification and funding.
   - [f] Table A6: Budgeted financial position.
   - [g] Table A7: Budgeted cash flow.
   - [h] Table A8: Cash backed reserves / accumulated surplus reconciliation.
   - [i] Table A9: Asset Management.
   - [j] Table A10: Basic Services Delivery Measurement.
2. That the operating budget as set out in Table A1 – A4 and Capital budget as set out in Table A5 be implemented with effect from 1 July 2020.
3. That property rates tariffs be approved in terms of section 14 of Municipal Property Rates Act, 2004 [Act 6 of 2004].
4. That tariffs for services charges as reflected in the tariff list be approved and implemented with effect from 1 July 2020.
5. That Council implements the electricity tariff as approved by NERSA with effect from 1 July 2020.
6. That the following budget related policies be approved and implemented with effect from 1 July 2020.

(a) Budget policy
(b) Virement policy
(c) Funding and reserves policy
(d) Banking / cash and investment policy
(e) Credit Control and debt collection policy
(f) Indigent support policy
(g) Bad debt write-off policy
(h) Property rates policy
(i) Tariffs policy
(j) Supply chain management policy
(k) Unallocated deposit policy
(l) Customer deposit policy
(m) Petty cash management policy
(n) Customer care policy

[FOR RESOLUTION]

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**Minutes: Special Council Meeting: 30 June 2020**

The Mayor proposed that the matter be resolved as follows and was seconded by Cllr Baleni.

**RESOLVED:**

1. That the annual budget of the Municipality for the financial year 2020 / 2021, 2021 / 2022 and 2022 / 2023 was approved as set out in:
   [a] Table A1: Budgeted Summary.
   [b] Table A2: Budgeted financial performance [revenue & expenditure by standard classification].
   [c] Table A3: Budgeted financial performance [revenue & expenditure municipal vote].
   [d] Table A4: Budgeted Financial performance [revenue & expenditure].
   [e] Table A5: Budgeted capital Expenditure by vote, standard classification and funding.
   [f] Table A6: Budgeted financial position.
   [g] Table A7: Budgeted cash flow.
   [h] Table A8: Cash backed reserves / accumulated surplus reconciliation.
   [i] Table A9: Asset Management.
   [j] Table A10: Basic Services Delivery Measurement.
2. That the operating budget as set out in Table A1 – A4 and Capital budget as set out in Table A5 be implemented with effect from 1 July 2020.
3. That property rates tariffs be approved in terms of section 14 of Municipal Property Rates Act, 2004 [Act 6 of 2004].
4. That tariffs for services charges as reflected in the tariff list was approved and implemented with effect from 1 July 2020.
5. That Council implements the electricity tariff as approved by NERSA with effect from 1 July 2020.
6. That the following budget related policies be approved and implemented with effect from 1 July 2020.
   (a) Budget policy
   (b) Virement policy
   (c) Funding and reserves policy
   (d) Banking / cash and investment policy

(e) Credit Control and debt collection policy
(f) Indigent support policy
(g) Bad debt write-off policy
(h) Property rates policy
(i) Tariffs policy
(j) Supply chain management policy
(k) Unallocated deposit policy
(l) Customer deposit policy
(m) Petty cash management policy
(n) Customer care policy.

7. That the Municipality must develop a turn-around strategy before the end of August 2020 in which Covid-19,debt of Eskom and Sandvet Water must be addressed and send to Provincial- and National Treasury.

## 3. Executive summary

Tswelopele Local Municipality serves the community of Bultfontein and Hoopstad as well as Phahameng and Tikwana. According to *Census 2011* Tswelopele Local Municipality had 11 992 households, majority of which are poor. Section 153 of the Constitution of the Republic of South Africa outlines the developmental duties of the municipality to include; "*structuring and managing the administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community*".

Tswelopele Local Municipality budget process started in August 2019, when the Municipal Council approved budget timelines as required by legislation. Subsequent to the approval the schedule was sent to the relevant stakeholders and the processes pertaining to the review of the IDP and compilation of the draft annual budget been undertaken as per the schedule [with immaterial deviations from the schedule as adopted by Council].

The 2020/2021 Draft Budget was tabled to council on the 26 of March 2020 as per the provisions of Municipal Finance Management Act 56 of 2003; section 16 (2). Due to the state of emergency informed by the Corona virus (COVID 19) outbreak, the President of the country, Hon. Ramaphosa announced national lockdown on the on the 23rd March 2020 commencing 27th March 2020.

The draft budget went for public participation process in order to source inputs form the community as well as other the stakeholders. Due the challenges that were presented by the lockdown, the public participation was conducted through social media platforms, i.e. Facebook, Municipal Website as well as The Rock FM. Majority of the inputs that were made relates mainly to Covid 19 and were accommodated to in order to safeguard the municipal staff as well as the community at large.

It is evident that the municipality vastly depends on grants from national government as majority of its revenue is made up of equitable shares and some other grants, [i.e. Financial Management Grant, Lejweleputswa district municipality grant, and a grant from Public works]. Table SA 18 on the municipality annual budget tables clearly distinguishes between all this different allocations, total operating grants allocated to the municipality amount to R 82.1 million. As a results, some of the inputs gathered from the public participation remains just a wish-list as the municipality is unable to afford funding of some of the projects from its internal funding.

National Treasury MFMA Circulars were used to guide in the compilation of the 2020/2021 Medium Term revenue and expenditure framework. The following budget principles and guidelines informed the compilation of the 2020/2021 Medium Term revenue and expenditure framework:

- 2019/2020 MFMA Section 72 report – mid-term assessment report
- 2019/2020 Adjustment Budget
- Average CPI from 1 April 2020 to 31 March 2021
- National Treasury guidelines
- Inputs from stakeholders (public participation)

Total revenue is anticipated to grow in the mid-term. The growth will be informed by the increase in tariffs on service charges. The municipality aligned its budget to the national and provincial priorities, mentioned below are some of the National and Provincial priorities:

- ⊡ National Priorities
    - ▫ Increase access to basic services
    - ▫ Sustainable employment growth through increased public investment spending
- ⊡ Provincial priorities
    - ▫ Fighting Poverty
    - ▫ Reduce Crime

Tswelopele Local Municipality prepared its budget with all this priorities in consideration [e.g. sustainable employment: job creation through MIG and EPWP and provincial priorities such as fighting poverty]. Currently the municipality has eradicated all the buckets in its jurisdiction except in new extensions. This budget is catering for construction of toilets structures in new extensions. All households have access to water, mentioned below is the progress made to address any backlogs in the municipality:

- ▫ All households have access to water and sanitation
- ▫ All households are connected to public sewerage network

### 3.1. Operating revenue overview

Tswelopele Local Municipality has implemented Revenue Enhancement Strategy. The following key components were used in terms of budgeted revenue of the municipality:

- National Treasury MFMA Circulars
- Electricity Tariff increases as applied to National Electricity Regulator of South Africa
- Latest Valuation roll in terms of Municipal Property Rates Act, Act 6 of 2004 as amended
- Municipality's indigent policy
- Tariff Policy of the Municipality
- Tariff Increases for Water, Refuse and Sewerage
- Targeted revenue collection rate averaging 95% of the billed revenue

The table in the next page summarises the 2020/2021 revenue by source. As it can be seen from the table below, the revenue of the Municipality will increase in the Medium term, the main contributor is revenue from National Transfers (Grants):

:

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Revenue By Source** | | | | | | | | | | | |
| Property rates | 2 | 15 085 | 15 854 | 22 738 | 16 000 | 20 600 | 20 600 | – | 21 000 | 22 710 | 24 591 |
| Service charges - electricity revenue | 2 | 20 326 | 24 801 | 27 710 | 39 500 | 40 000 | 40 000 | – | 42 475 | 46 723 | 51 395 |
| Service charges - water revenue | 2 | 3 183 | 3 037 | 3 048 | 9 000 | 6 000 | 6 000 | – | 6 300 | 7 320 | 8 442 |
| Service charges - sanitation revenue | 2 | 4 732 | 4 569 | 4 244 | 6 700 | 6 700 | 6 700 | – | 7 385 | 8 124 | 8 936 |
| Service charges - refuse revenue | 2 | 3 157 | 3 022 | 2 665 | 4 500 | 4 500 | 4 500 | – | 4 920 | 5 412 | 5 953 |
| Rental of facilities and equipment | | 748 | 737 | 608 | 512 | 657 | 657 | | 590 | 649 | 714 |
| Interest earned - external investments | | 1 133 | 654 | 1 025 | 700 | 900 | 900 | | 1 100 | 1 210 | 1 331 |
| Interest earned - outstanding debtors | | 1 604 | 702 | 197 | 500 | 500 | 500 | | 500 | 550 | 605 |
| Dividends received | | 49 | 20 | 51 | 43 | 104 | 104 | | 100 | 110 | 121 |
| Fines, penalties and forfeits | | 301 | 274 | 269 | 50 | 300 | 300 | | 300 | 330 | 363 |
| Licences and permits | | 66 | 28 | 22 | 10 | 25 | 25 | | 50 | 55 | 61 |
| Agency services | | – | – | – | – | – | – | | – | – | – |
| Transfers and subsidies | | 67 994 | 62 528 | 62 602 | 77 563 | 77 027 | 77 027 | | 82 114 | 86 452 | 91 487 |
| Other revenue | 2 | 1 051 | 1 160 | 551 | 1 009 | 1 009 | 1 009 | – | 1 301 | 1 046 | 1 117 |
| Gains | | | | 324 | | | | | | | |
| **Total Revenue (excluding capital transfers and contributions)** | | **119 431** | **117 386** | **126 054** | **156 086** | **158 322** | **158 322** | **–** | **168 135** | **180 690** | **195 116** |

***Table 2: Operational Grants***

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **RECEIPTS:** | 1, 2 | | | | | | | | | |
| **Operating Transfers and Grants** | | | | | | | | | | |
| **National Government:** | | **60 553** | **62 527** | **69 989** | **77 513** | **76 977** | **76 977** | **82 114** | **86 452** | **91 487** |
| Local Government Equitable Share | | 57 728 | 59 702 | 67 019 | 74 224 | 73 688 | 73 688 | 79 046 | 84 452 | 89 287 |
| Finance Management | | 1 825 | 1 825 | 1 970 | 1 970 | 1 970 | 1 970 | 1 900 | 2 000 | 2 200 |
| EPWP Incentive | | 1 000 | 1 000 | 1 000 | 1 319 | 1 319 | 1 319 | 1 168 | – | – |
| Other transfers/grants [insert description] | | | | | | | | | | |
| **Provincial Government:** | | – | – | – | – | – | – | – | – | – |
| Other transfers/grants [insert description] | | | | | | | | | | |
| **District Municipality:** | | **50** | **50** | **50** | **50** | **50** | **50** | **50** | **50** | **50** |
| *Lejweleputswa* | | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| **Other grant providers:** | | – | – | – | – | – | – | – | – | – |
| *[insert description]* | | | | | | | | | | |
| **Total Operating Transfers and Grants** | 5 | **60 603** | **62 577** | **70 039** | **77 563** | **77 027** | **77 027** | **82 164** | **86 502** | **91 537** |

Total grants received will increase in the MTREF due to increase in equitable share allocation and the Finance Municipal Grant.

The following is the discussion of revenue from difference sources:

### 3.1.1. Electricity

Tswelopele Local Municipality comprises of 2 townships (Phahameng and Tikwana) and 2 towns (Bultfontein and Hoopstad), and according to the latest census 2011 result, the municipality has 11 992, out of this 11 992 households, the Municipality only sells electricity to about 1 350 households and the rest are serviced by Eskom. The Municipality buys bulk electricity from Eskom to sell to these households and businesses in Bultfontein and Hoopstad respectively.

National Energy Regulator of South Africa (NERSA) approved an average increase of 6.22% for the municipality for the year 2020/21. Tswelopele Local Municipality target indigent households as per the approved indigent register for free basic electricity. All indigent households receive 50Kwh on a monthly basis.

### 3.1.2. Water

The Municipality is billing townships on flat rate. In terms of the free basic services policy of the Municipality, each household within the municipality is entitled to get first 6 kl of water for free, and those who are hundred percent indigent gets free water for the whole month irrespective of the usage.
It is the intention of the municipality to bill each household on consumption-base. However, the water infrastructure needs to be upgraded/fixed for this target to be achieved. Billing of townships on consumption-based will only be implemented when the water meters are fixed, which cannot be achieved in the current year due to budget constraints. The Municipality is increasing water tariff with an increase of 5% for 2020/2021 financial year.

### 3.1.3. Sanitation (Sewerage)

Sanitation tariff will increase with 5% from 1 July 2020 is proposed. The following factors contributed to the proposed tariff:

- Sanitation charges are charged at a flat rate, irrespective of the quantity of water used / consumed
- Free Sanitation is only provided to indigent households as per the council approved Indigent register
- There is no inclining tariff structure for sanitation consumption
- Proposed tariff is in line with CPI 2020/2021

### 3.1.4. Waste Removal

Waste removal tariff will increase with 5%; the reason for this increase is due to the fact that this will only be the fourth financial year that these tariffs are increased. The following factors were considered for the proposed tariff increase:

- Waste removal charges are charged at a flat rate, irrespective of litres of waste removed
- The increment will also cover the wear and tear off all the trucks and vehicles used to provide this service
- Waste removal is provided for free to all the households who are indigent
- All 11992 households waste are removed once a week

### 3.1.5. Property rates

Property rates is a statutory tax charged on all property owners within the jurisdiction of the Municipality. The tax is imposed in accordance to section 229 of the Constitution of South Africa and Municipal Property rates act, act 6 of 2004 (MPRA). In terms of MPRA [original Act] the municipality must prepare a valuation roll after every 4 financial year. Tswelopele Local Municipality first implemented the valuation roll in accordance with MPRA prescripts on the 1st July 2009. The current valuation roll was effective from July 2017 and it is supposed to end by June 2021.

However, the municipality extended the validity period of the valuation roll with additional twelve months for it to expire by June 2022. This will enable the municipality to align its valuation roll with the amended MPRA [which now requires municipality to have a valuation roll valid for a period of five years]. The valuation date [as previously determined when the 2017 roll was implemented remains the same]. The municipality is increasing the tariffs on Property rates by 5% for all the properties for the 2020/21 financial year.

## 3.2. Operating Expenditure Framework

The municipality budgeted for an expenditure budget of R199 million (including non-cash items of R33 million). This figures were informed by the following:

- Balance budget constraints – the municipality must not budget for a deficit

- Funding of the budget as based on section 18 and section 19 of Municipal Finance Management act, act 54 of 2003
- National Treasury MFMA circulars
- South African Local Government Bargaining Council collective agreement on salaries
- Average CPI from 1 April 2020 to 31 March 2021
- Inputs from stakeholders (public participation)

The table below show the total budgeted expenditure

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Expenditure By Type** | | | | | | | | | | | |
| Employee related costs | 2 | 57 697 | 62 639 | 61 913 | 61 468 | 66 136 | 66 136 | – | 70 300 | 77 330 | 85 015 |
| Remuneration of councillors | | 4 663 | | 5 425 | 6 710 | 6 342 | 6 342 | | 6 778 | 7 456 | 8 201 |
| Debt impairment | 3 | 7 531 | 13 053 | 6 849 | 6 900 | 12 900 | 12 900 | | 13 000 | 13 000 | 13 000 |
| Depreciation & asset impairment | 2 | 26 179 | 27 034 | 26 574 | 26 000 | 20 000 | 20 000 | – | 20 000 | 20 000 | 20 000 |
| Finance charges | | 2 562 | 4 760 | 7 813 | 3 108 | 3 108 | 3 108 | | 2 508 | 2 759 | 3 035 |
| Bulk purchases | 2 | 32 282 | 34 144 | 36 438 | 39 100 | 39 100 | 39 100 | – | 41 309 | 45 180 | 49 428 |
| Other materials | 8 | 6 460 | 7 697 | | 7 448 | 6 925 | 6 925 | | 8 842 | 9 723 | 10 304 |
| Contracted services | | 27 | 38 | 960 | 2 000 | 2 000 | 2 000 | – | 2 150 | 2 365 | 2 602 |
| Transfers and subsidies | | – | – | – | – | – | – | – | – | – | – |
| Other expenditure | 4, 5 | 28 587 | 34 258 | 35 201 | 29 311 | 34 527 | 34 527 | – | 34 333 | 36 375 | 39 336 |
| Losses | | | 2 303 | 2 344 | | | | | | | |
| **Total Expenditure** | | **165 988** | **185 927** | **183 516** | **182 044** | **191 038** | **191 038** | **–** | **199 219** | **214 187** | **230 921** |

### 3.3. Analysis of Capital Budget

Tswelopele Local Municipality capital budget is funded through Municipal Infrastructure Grant. The following are the major capital projects budgeted for:

- Construction of Toilet Structures & Sewer Reticulation and Connections: Phahameng
- Upgrading of Sports facilities: Phahameng/ Bultfontein
- Fencing of cemeteries: Phahameng
- Construction of High mast lights: Tikwana/ Hoopstad
- Water project

The above projects will mainly be funded from the conditional grants to be received from government. The municipality also plans to allocate R1.5 million towards the procurement of vehicles for the Mayor and Speaker [for official business purposes], office equipment and service delivery vehicles. This will be funded from internally generated funds to be raised from various revenue sources. Possibility exists that some of the projects maybe changed during the course of the financial year to prioritise service delivery towards services that will reduce the spread of Covid 19 virus.

## 4. Annual budget tables

The following tables will show the all ten (10) main annual budget tables and the analysis thereof:

**FS183 Tswelopele - Table A1 Budget Summary**

| Description | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousands | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Financial Performance** | | | | | | | | | | |
| Property rates | **15 085** | 15 854 | 22 738 | 16 000 | 20 600 | 20 600 | – | 21 000 | 22 710 | 24 591 |
| Service charges | 31 399 | 35 430 | 37 667 | 59 700 | 57 200 | 57 200 | – | 61 080 | 67 578 | 74 726 |
| Investment revenue | 1 133 | 654 | 1 025 | 700 | 900 | 900 | – | 1 100 | 1 210 | 1 331 |
| Transfers recognised - operational | 67 994 | 62 528 | 62 602 | 77 563 | 77 027 | 77 027 | – | 82 114 | 86 452 | 91 487 |
| Other own revenue | 3 819 | 2 921 | 2 022 | 2 123 | 2 595 | 2 595 | – | 2 841 | 2 740 | 2 981 |
| **Total Revenue (excluding capital transfers and contributions)** | 119 431 | 117 386 | 126 054 | 156 086 | 158 322 | 158 322 | – | 168 135 | 180 690 | 195 116 |
| Employee costs | 57 697 | 62 639 | 61 913 | 61 468 | 66 136 | 66 136 | – | 70 300 | 77 330 | 85 015 |
| Remuneration of councillors | 4 663 | – | 5 425 | 6 710 | 6 342 | 6 342 | – | 6 778 | 7 456 | 8 201 |
| Depreciation & asset impairment | 26 179 | 27 034 | 26 574 | 26 000 | 20 000 | 20 000 | – | 20 000 | 20 000 | 20 000 |
| Finance charges | 2 562 | 4 760 | 7 813 | 3 108 | 3 108 | 3 108 | – | 2 508 | 2 759 | 3 035 |
| Materials and bulk purchases | 38 742 | 41 841 | 36 438 | 46 548 | 46 025 | 46 025 | – | 50 150 | 54 903 | 59 732 |
| Transfers and grants | – | – | – | – | – | – | – | – | – | – |
| Other expenditure | 36 145 | 49 653 | 45 353 | 38 211 | 49 427 | 49 427 | – | 49 483 | 51 740 | 54 938 |
| **Total Expenditure** | 165 988 | 185 927 | 183 516 | 182 044 | 191 038 | 191 038 | – | 199 219 | 214 187 | 230 921 |
| **Surplus/(Deficit)** | (46 558) | (68 541) | (57 461) | (25 958) | (32 716) | (32 716) | – | (31 084) | (33 497) | (35 805) |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | 33 794 | 33 835 | 36 844 | 16 488 | 16 488 | 16 488 | – | 26 405 | 29 474 | 30 832 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all) | – | – | 500 | – | – | – | – | – | – | – |
| **Surplus/(Deficit) after capital transfers & contributions** | (12 764) | (34 706) | (20 117) | (9 470) | (16 228) | (16 228) | – | (4 679) | (4 023) | (4 973) |
| Share of surplus/ (deficit) of associate | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) for the year** | (12 764) | (34 706) | (20 117) | (9 470) | (16 228) | (16 228) | – | (4 679) | (4 023) | (4 973) |
| **Capital expenditure & funds sources** | | | | | | | | | | |
| **Capital expenditure** | **32 306** | 33 760 | 31 219 | 16 763 | 17 801 | 17 801 | – | 29 242 | 31 326 | 32 687 |
| Transfers recognised - capital | **30 405** | 31 859 | 28 830 | 16 488 | 16 488 | 16 488 | – | 26 405 | 29 474 | 30 832 |
| Borrowing | **–** | – | – | – | – | – | – | – | – | – |
| Internally generated funds | **1 901** | 1 901 | 2 389 | 275 | 1 313 | 1 313 | – | 2 837 | 1 852 | 1 855 |
| **Total sources of capital funds** | **32 306** | 33 760 | 31 219 | 16 763 | 17 801 | 17 801 | – | 29 242 | 31 326 | 32 687 |
| **Financial position** | | | | | | | | | | |
| Total current assets | **22 251** | 30 177 | 50 687 | 43 200 | 46 400 | 46 400 | – | 41 500 | 34 700 | 23 650 |
| Total non current assets | **581 522** | 586 843 | 589 170 | 611 763 | 612 811 | 612 811 | – | 644 053 | 676 379 | 714 065 |
| Total current liabilities | **37 108** | 69 655 | 97 097 | 21 800 | 21 800 | 21 800 | – | 26 700 | 21 500 | 17 000 |
| Total non current liabilities | **27 052** | 34 212 | 37 127 | 19 437 | 19 437 | 19 437 | – | 17 500 | 16 500 | 16 000 |
| Community wealth/Equity | **539 829** | 513 152 | 505 633 | 613 526 | 617 974 | 617 974 | – | 634 963 | 665 406 | 699 891 |
| **Cash flows** | | | | | | | | | | |
| Net cash from (used) operating | **24 435** | 34 101 | 38 583 | 16 805 | 21 117 | 21 117 | – | 27 391 | 32 677 | 31 827 |
| Net cash from (used) investing | **(26 719)** | (33 659) | (31 056) | (16 763) | (17 801) | (17 801) | – | (26 405) | (29 474) | (30 832) |
| Net cash from (used) financing | **149** | 410 | (1 466) | (830) | (830) | (830) | – | (800) | (800) | (800) |
| **Cash/cash equivalents at the year end** | **4 221** | 5 074 | 11 135 | 712 | 3 986 | 3 986 | – | 4 186 | 6 589 | 6 784 |
| **Cash backing/surplus reconciliation** | | | | | | | | | | |
| Cash and investments available | **7 304** | 6 027 | 11 995 | 2 800 | 5 800 | 5 800 | – | 6 000 | 8 500 | 10 150 |
| Application of cash and investments | **17 321** | 43 027 | 56 877 | (19 769) | (19 843) | (19 843) | – | (9 410) | (5 846) | 2 077 |
| **Balance - surplus (shortfall)** | **(10 017)** | (37 000) | (44 882) | 22 569 | 25 643 | 25 643 | – | 15 410 | 14 346 | 8 073 |
| **Asset management** | | | | | | | | | | |
| Asset register summary (WDV) | **580 573** | 585 890 | 588 214 | 611 763 | 611 763 | 611 763 | 611 763 | 637 557 | 653 667 | 684 466 |
| Depreciation | **26 783** | 27 034 | 26 574 | – | 20 000 | 20 000 | 20 000 | 20 000 | 20 000 | 20 000 |
| Renewal and Upgrading of Existing Assets | **–** | – | – | 8 079 | 8 079 | 8 079 | 8 079 | – | – | – |
| Repairs and Maintenance | **7 783** | 7 782 | 8 324 | 7 448 | 6 925 | 6 925 | 6 925 | 8 842 | 9 723 | 10 304 |
| **Free services** | | | | | | | | | | |
| Cost of Free Basic Services provided | **11 801** | 13 088 | 12 598 | 8 320 | 8 320 | 8 320 | 8 320 | 8 320 | 8 320 | 8 320 |
| Revenue cost of free services provided | **–** | – | – | – | – | – | – | – | – | – |
| **Households below minimum service level** | | | | | | | | | | |
| Water: | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sanitation/sewerage: | – | – | – | – | – | – | – | – | – | – |
| Energy: | – | – | – | – | – | – | – | – | – | – |
| Refuse: | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |

**FS183 Tswelopele - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)**

| Functional Classification Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Revenue - Functional** | | | | | | | | | | |
| ***Governance and administration*** | | **88 187** | **115 026** | **124 602** | **33 071** | **99 417** | **99 417** | **132 083** | **141 461** | **150 375** |
| Executive and council | | 1 079 | – | – | 4 742 | 4 742 | 4 742 | 4 891 | 5 380 | 5 918 |
| Finance and administration | | 87 108 | 115 026 | 124 602 | 28 329 | 94 675 | 94 675 | 127 192 | 136 081 | 144 457 |
| Internal audit | | – | – | – | – | – | – | – | – | – |
| ***Community and public safety*** | | **406** | **28** | **522** | **5 205** | **1 270** | **1 270** | **940** | **1 034** | **1 138** |
| Community and social services | | 402 | 28 | 522 | 5 185 | 1 250 | 1 250 | 925 | 1 018 | 1 120 |
| Sport and recreation | | 3 | – | – | 20 | 20 | 20 | 15 | 17 | 18 |
| Public safety | | 1 | – | – | – | – | – | – | – | – |
| Housing | | – | – | – | – | – | – | – | – | – |
| Health | | – | – | – | – | – | – | – | – | – |
| ***Economic and environmental services*** | | **16 433** | **737** | **608** | **50** | **50** | **50** | **50** | **55** | **61** |
| Planning and development | | – | – | – | – | – | – | – | – | – |
| Road transport | | 16 433 | 737 | 608 | 50 | 50 | 50 | 50 | 55 | 61 |
| Environmental protection | | – | – | – | – | – | – | – | – | – |
| ***Trading services*** | | **59 999** | **48 518** | **50 266** | **117 761** | **57 585** | **57 585** | **61 467** | **67 613** | **74 375** |
| Energy sources | | 26 779 | 31 319 | 31 415 | 59 512 | 40 350 | 40 350 | 42 825 | 47 108 | 51 818 |
| Water management | | 22 508 | 5 843 | 6 782 | 24 109 | 6 035 | 6 035 | 6 337 | 6 970 | 7 667 |
| Waste water management | | 6 427 | 6 831 | 7 289 | 20 464 | 6 700 | 6 700 | 7 385 | 8 124 | 8 936 |
| Waste management | | 4 284 | 4 526 | 4 780 | 13 676 | 4 500 | 4 500 | 4 920 | 5 412 | 5 953 |
| ***Other*** | 4 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total Revenue - Functional** | 2 | **165 025** | **164 309** | **175 997** | **156 086** | **158 322** | **158 322** | **194 540** | **210 164** | **225 948** |
| **Expenditure - Functional** | | | | | | | | | | |
| ***Governance and administration*** | | **50 804** | **144 086** | **147 078** | **47 728** | **51 244** | **51 244** | **65 206** | **71 455** | **78 599** |
| Executive and council | | 13 481 | – | – | 14 781 | 15 785 | 15 785 | 15 849 | 17 434 | 19 177 |
| Finance and administration | | 37 323 | 144 086 | 147 078 | 32 948 | 35 459 | 35 459 | 49 357 | 54 021 | 59 421 |
| Internal audit | | – | – | – | – | – | – | – | – | – |
| ***Community and public safety*** | | **17 410** | **–** | **–** | **16 561** | **15 462** | **15 462** | **15 883** | **17 471** | **19 219** |
| Community and social services | | 13 170 | – | – | 16 434 | 15 355 | 15 355 | 15 754 | 17 330 | 19 062 |
| Sport and recreation | | 2 281 | – | – | 127 | 107 | 107 | 129 | 142 | 156 |
| Public safety | | 1 959 | – | – | – | – | – | – | – | – |
| Housing | | – | – | – | – | – | – | – | – | – |
| Health | | – | – | – | – | – | – | – | – | – |
| ***Economic and environmental services*** | | **20 257** | **–** | **–** | **15 311** | **14 128** | **14 128** | **35 992** | **34 909** | **33 717** |
| Planning and development | | – | – | – | – | – | – | – | – | – |
| Road transport | | 20 257 | – | – | 15 311 | 14 128 | 14 128 | 35 992 | 34 909 | 33 717 |
| Environmental protection | | – | – | – | – | – | – | – | – | – |
| ***Trading services*** | | **77 517** | **41 841** | **36 438** | **76 444** | **77 305** | **77 305** | **82 138** | **90 352** | **99 387** |
| Energy sources | | 31 265 | 39 737 | 36 438 | 38 920 | 38 372 | 38 372 | 41 099 | 45 209 | 49 730 |
| Water management | | 19 323 | 2 104 | – | 14 571 | 14 825 | 14 825 | 15 851 | 17 436 | 19 180 |
| Waste water management | | 17 562 | – | – | 13 223 | 14 357 | 14 357 | 14 751 | 16 226 | 17 849 |
| Waste management | | 9 368 | – | – | 9 729 | 9 751 | 9 751 | 10 437 | 11 480 | 12 628 |
| ***Other*** | 4 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total Expenditure - Functional** | 3 | **165 988** | **185 927** | **183 516** | **156 044** | **158 138** | **158 138** | **199 219** | **214 187** | **230 921** |
| **Surplus/(Deficit) for the year** | | **(964)** | **(21 618)** | **(7 519)** | **42** | **184** | **184** | **(4 679)** | **(4 023)** | **(4 973)** |

**FS183 Tswelopele - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

| Vote Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Revenue by Vote** | 1 | | | | | | | | | |
| Vote 1 - Executive and Council | | 1 079 | – | – | 4 742 | 4 742 | 4 742 | 4 891 | 5 380 | 5 918 |
| Vote 2 - Budget and Treasury Office | | 87 108 | – | – | 28 219 | 94 575 | 94 575 | 126 865 | 135 722 | 144 061 |
| Vote 3 - Community and Social Services | | 402 | – | – | 5 185 | 1 250 | 1 250 | 925 | 1 018 | 1 120 |
| Vote 4 - Public Safety | | 1 | – | – | – | – | – | – | – | – |
| Vote 5 - Sport and Recreation | | 3 | – | – | 20 | 20 | 20 | 15 | 17 | 18 |
| Vote 6 - Waste Management | | 4 284 | – | – | 13 676 | 4 500 | 4 500 | 4 920 | 5 412 | 5 953 |
| Vote 7 - Waste Water Management | | 6 427 | – | – | 20 464 | 6 700 | 6 700 | 7 385 | 8 124 | 8 936 |
| Vote 8 - Road Transport | | 16 433 | – | – | 50 | 50 | 50 | 50 | 55 | 61 |
| Vote 9 - Water | | 22 508 | – | – | 24 109 | 6 035 | 6 035 | 6 337 | 6 970 | 7 667 |
| Vote 10 - Electricity | | 26 779 | – | – | 59 512 | 40 350 | 40 350 | 42 825 | 47 108 | 51 818 |
| Vote 11 - Corporate Services | | – | – | – | 110 | 100 | 100 | 327 | 360 | 396 |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – |
| **Total Revenue by Vote** | 2 | **165 025** | **–** | **–** | **156 086** | **158 322** | **158 322** | **194 540** | **210 164** | **225 948** |
| **Expenditure by Vote *to be appropriated*** | 1 | | | | | | | | | |
| Vote 1 - Executive and Council | | 13 481 | – | – | 14 781 | 15 785 | 15 785 | 15 849 | 17 434 | 19 177 |
| Vote 2 - Budget and Treasury Office | | 37 323 | – | – | 23 153 | 58 102 | 58 102 | 37 758 | 41 262 | 45 387 |
| Vote 3 - Community and Social Services | | 13 170 | – | – | 16 599 | 15 355 | 15 355 | 15 754 | 17 330 | 19 062 |
| Vote 4 - Public Safety | | 1 959 | – | – | – | – | – | – | – | – |
| Vote 5 - Sport and Recreation | | 2 281 | – | – | 127 | 107 | 107 | 129 | 142 | 156 |
| Vote 6 - Waste Management | | 9 368 | – | – | 9 729 | 9 751 | 9 751 | 10 437 | 11 480 | 12 628 |
| Vote 7 - Waste Water Management | | 17 562 | – | – | 13 223 | 14 457 | 14 457 | 14 751 | 16 226 | 17 849 |
| Vote 8 - Road Transport | | 20 257 | – | – | 15 311 | 14 128 | 14 128 | 35 992 | 34 909 | 33 717 |
| Vote 9 - Water | | 19 323 | – | – | 14 571 | 14 850 | 14 850 | 15 851 | 17 436 | 19 180 |
| Vote 10 - Electricity | | 31 265 | – | – | 38 920 | 38 372 | 38 372 | 41 099 | 45 209 | 49 730 |
| Vote 11 - Corporate Services | | – | – | – | 9 794 | 10 298 | 10 298 | 11 598 | 12 758 | 14 034 |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – |
| **Total Expenditure by Vote** | 2 | **165 988** | **–** | **–** | **156 209** | **191 203** | **191 203** | **199 219** | **214 187** | **230 921** |
| **Surplus/(Deficit) for the year** | 2 | **(964)** | **–** | **–** | **(123)** | **(32 881)** | **(32 881)** | **(4 679)** | **(4 023)** | **(4 973)** |

**FS183 Tswelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Revenue By Source** | | | | | | | | | | | |
| Property rates | 2 | 15 085 | 15 854 | 22 738 | 16 000 | 20 600 | 20 600 | – | 21 000 | 22 710 | 24 591 |
| Service charges - electricity revenue | 2 | 20 326 | 24 801 | 27 710 | 39 500 | 40 000 | 40 000 | – | 42 475 | 46 723 | 51 395 |
| Service charges - water revenue | 2 | 3 183 | 3 037 | 3 048 | 9 000 | 6 000 | 6 000 | – | 6 300 | 7 320 | 8 442 |
| Service charges - sanitation revenue | 2 | 4 732 | 4 569 | 4 244 | 6 700 | 6 700 | 6 700 | – | 7 385 | 8 124 | 8 936 |
| Service charges - refuse revenue | 2 | 3 157 | 3 022 | 2 665 | 4 500 | 4 500 | 4 500 | – | 4 920 | 5 412 | 5 953 |
| Rental of facilities and equipment | | 748 | 737 | 608 | 512 | 657 | 657 | | 590 | 649 | 714 |
| Interest earned - external investments | | 1 133 | 654 | 1 025 | 700 | 900 | 900 | | 1 100 | 1 210 | 1 331 |
| Interest earned - outstanding debtors | | 1 604 | 702 | 197 | 500 | 500 | 500 | | 500 | 550 | 605 |
| Dividends received | | 49 | 20 | 51 | 43 | 104 | 104 | | 100 | 110 | 121 |
| Fines, penalties and forfeits | | 301 | 274 | 269 | 50 | 300 | 300 | | 300 | 330 | 363 |
| Licences and permits | | 66 | 28 | 22 | 10 | 25 | 25 | | 50 | 55 | 61 |
| Agency services | | – | – | – | – | – | – | | – | – | – |
| Transfers and subsidies | | 67 994 | 62 528 | 62 602 | 77 563 | 77 027 | 77 027 | | 82 114 | 86 452 | 91 487 |
| Other revenue | 2 | 1 051 | 1 160 | 551 | 1 009 | 1 009 | 1 009 | – | 1 301 | 1 046 | 1 117 |
| Gains | | | | 324 | | | | | | | |
| **Total Revenue (excluding capital transfers and contributions)** | | **119 431** | **117 386** | **126 054** | **156 086** | **158 322** | **158 322** | **–** | **168 135** | **180 690** | **195 116** |
| **Expenditure By Type** | | | | | | | | | | | |
| Employee related costs | 2 | 57 697 | 62 639 | 61 913 | 61 468 | 66 136 | 66 136 | – | 70 300 | 77 330 | 85 015 |
| Remuneration of councillors | | 4 663 | | 5 425 | 6 710 | 6 342 | 6 342 | | 6 778 | 7 456 | 8 201 |
| Debt impairment | 3 | 7 531 | 13 053 | 6 849 | 6 900 | 12 900 | 12 900 | | 13 000 | 13 000 | 13 000 |
| Depreciation & asset impairment | 2 | 26 179 | 27 034 | 26 574 | 26 000 | 20 000 | 20 000 | – | 20 000 | 20 000 | 20 000 |
| Finance charges | | 2 562 | 4 760 | 7 813 | 3 108 | 3 108 | 3 108 | | 2 508 | 2 759 | 3 035 |
| Bulk purchases | 2 | 32 282 | 34 144 | 36 438 | 39 100 | 39 100 | 39 100 | – | 41 309 | 45 180 | 49 428 |
| Other materials | 8 | 6 460 | 7 697 | | 7 448 | 6 925 | 6 925 | | 8 842 | 9 723 | 10 304 |
| Contracted services | | 27 | 38 | 960 | 2 000 | 2 000 | 2 000 | – | 2 150 | 2 365 | 2 602 |
| Transfers and subsidies | | – | – | – | – | – | – | – | – | – | – |
| Other expenditure | 4, 5 | 28 587 | 34 258 | 35 201 | 29 311 | 34 527 | 34 527 | – | 34 333 | 36 375 | 39 336 |
| Losses | | | 2 303 | 2 344 | | | | | | | |
| **Total Expenditure** | | **165 988** | **185 927** | **183 516** | **182 044** | **191 038** | **191 038** | **–** | **199 219** | **214 187** | **230 921** |
| **Surplus/(Deficit)** | | **(46 558)** | **(68 541)** | **(57 461)** | **(25 958)** | **(32 716)** | **(32 716)** | **–** | **(31 084)** | **(33 497)** | **(35 805)** |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | 33 794 | 33 835 | 36 844 | 16 488 | 16 488 | 16 488 | | 26 405 | 29 474 | 30 832 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) | 6 | – | | 500 | | | | | | | |
| Transfers and subsidies - capital (in-kind - all) | | | | | | | | | | | |
| **Surplus/(Deficit) after capital transfers & contributions** | | **(12 764)** | **(34 706)** | **(20 117)** | **(9 470)** | **(16 228)** | **(16 228)** | **–** | **(4 679)** | **(4 023)** | **(4 973)** |
| Taxation | | | | | | | | | | | |
| **Surplus/(Deficit) after taxation** | | **(12 764)** | **(34 706)** | **(20 117)** | **(9 470)** | **(16 228)** | **(16 228)** | **–** | **(4 679)** | **(4 023)** | **(4 973)** |
| Attributable to minorities | | | | | | | | | | | |
| **Surplus/(Deficit) attributable to municipality** | | **(12 764)** | **(34 706)** | **(20 117)** | **(9 470)** | **(16 228)** | **(16 228)** | **–** | **(4 679)** | **(4 023)** | **(4 973)** |
| Share of surplus/ (deficit) of associate | 7 | | | | | | | | | | |
| **Surplus/(Deficit) for the year** | | **(12 764)** | **(34 706)** | **(20 117)** | **(9 470)** | **(16 228)** | **(16 228)** | **–** | **(4 679)** | **(4 023)** | **(4 973)** |

| Vote Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| | | | | | | | | | | | |
| Capital Expenditure - Functional | | | | | | | | | | | |
| *Governance and administration* | | 20 120 | 20 120 | 2 389 | 150 | 295 | 295 | – | 1 367 | 1 478 | 1 601 |
| Executive and council | | 20 120 | 20 120 | 1 794 | 85 | 220 | 220 | | 1 032 | 1 135 | 1 248 |
| Finance and administration | | | | 594 | 65 | 75 | 75 | | 335 | 344 | 353 |
| Internal audit | | | | | | | | | | | |
| *Community and public safety* | | – | – | 7 643 | 742 | 772 | 772 | – | 2 082 | 1 160 | 286 |
| Community and social services | | | | 171 | | | | | 1 337 | 316 | 286 |
| Sport and recreation | | | | 7 472 | 742 | 772 | 772 | | 745 | 844 | |
| Public safety | | | | | | | | | | | |
| Housing | | | | | | | | | | | |
| Health | | | | | | | | | | | |
| *Economic and environmental services* | | 948 | 2 402 | 5 665 | 6 396 | 7 271 | 7 271 | – | 3 492 | 16 070 | 18 157 |
| Planning and development | | | | | | | | | | | |
| Road transport | | 948 | 2 402 | 5 665 | 6 396 | 7 271 | 7 271 | | 3 492 | 16 070 | 18 157 |
| Environmental protection | | | | | | | | | | | |
| *Trading services* | | 11 238 | 11 238 | 15 522 | 9 475 | 9 463 | 9 463 | – | 22 302 | 12 618 | 12 642 |
| Energy sources | | 1 434 | 1 434 | 1 918 | 2 020 | 2 020 | 2 020 | | | | |
| Water management | | 9 804 | 9 804 | 4 472 | 25 | 20 | 20 | | 10 000 | 12 033 | 12 612 |
| Waste water management | | | | 9 131 | 7 430 | 7 423 | 7 423 | | 12 302 | 585 | 30 |
| Waste management | | | | | | | | | | | |
| *Other* | | | | | | | | | | | |
| Total Capital Expenditure - Functional | 3 | 32 306 | 33 760 | 31 219 | 16 763 | 17 801 | 17 801 | – | 29 242 | 31 326 | 32 687 |
| | | | | | | | | | | | |
| Funded by: | | | | | | | | | | | |
| National Government | | 12 186 | 13 640 | 28 830 | 16 488 | 16 488 | 16 488 | | 26 405 | 29 474 | 30 832 |
| Provincial Government | | | | | | | | | | | |
| District Municipality | | – | | | | | | | | | |
| FS183 Tswelopele - Table A4 Budgeted Financial Performance (revenue and expenditure) | | 18 219 | 18 219 | | | | | | | | |
| Transfers recognised - capital | 4 | 30 405 | 31 859 | 28 830 | 16 488 | 16 488 | 16 488 | – | 26 405 | 29 474 | 30 832 |
| | | | | | | | | | | | |
| Borrowing | 6 | | | | | | | | | | |
| Internally generated funds | | 1 901 | 1 901 | 2 389 | 275 | 1 313 | 1 313 | | 2 837 | 1 852 | 1 855 |
| Total Capital Funding | 7 | 32 306 | 33 760 | 31 219 | 16 763 | 17 801 | 17 801 | – | 29 242 | 31 326 | 32 687 |

**FS183 Tswelopele - Table A6 Budgeted Financial Position**

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **ASSETS** | | | | | | | | | | | |
| **Current assets** | | | | | | | | | | | |
| Cash | | 4 650 | 2 989 | 1 498 | 1 000 | 4 000 | 4 000 | | 2 000 | 2 500 | 2 100 |
| Call investment deposits | 1 | 1 706 | 2 085 | 9 637 | 1 800 | 1 800 | 1 800 | | 4 000 | 6 000 | 8 050 |
| Consumer debtors | 1 | 9 438 | 14 252 | 18 498 | – | – | – | – | 5 000 | 6 000 | 3 000 |
| Other debtors | | 5 917 | 10 219 | 20 382 | 40 000 | 40 000 | 40 000 | | 30 000 | 20 000 | 10 000 |
| Current portion of long-term receivables | | | | | | | | | | | |
| Inventory | 2 | 540 | 631 | 671 | 400 | 600 | 600 | | 500 | 200 | 500 |
| **Total current assets** | | **22 251** | **30 177** | **50 687** | **43 200** | **46 400** | **46 400** | **–** | **41 500** | **34 700** | **23 650** |
| **Non current assets** | | | | | | | | | | | |
| Long-term receivables | | | | 97 | | | | | | | |
| Investments | | 948 | 953 | 859 | | | | | | | |
| Investment property | | 22 858 | 47 015 | 45 484 | 24 000 | 24 000 | 24 000 | | 24 000 | 24 000 | 25 000 |
| Investment in Associate | | | | | | | | | | | |
| Property, plant and equipment | 3 | 554 542 | 538 004 | 541 535 | 586 763 | 587 811 | 587 811 | – | 617 053 | 648 379 | 681 065 |
| Biological | | 3 174 | 871 | 1 195 | 1 000 | 1 000 | 1 000 | | 3 000 | 4 000 | 8 000 |
| Intangible | | | | | | | | | | | |
| Other non-current assets | | | | | | | | | | | |
| **Total non current assets** | | **581 522** | **586 843** | **589 170** | **611 763** | **612 811** | **612 811** | **–** | **644 053** | **676 379** | **714 065** |
| **TOTAL ASSETS** | | **603 774** | **617 019** | **639 857** | **654 963** | **659 211** | **659 211** | **–** | **685 553** | **711 079** | **737 715** |
| **LIABILITIES** | | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | | |
| Bank overdraft | 1 | – | | | | | | | | | |
| Borrowing | 4 | 1 390 | 2 446 | 981 | 800 | 800 | 800 | – | 700 | 600 | 500 |
| Consumer deposits | | 933 | 1 051 | 1 022 | 1 000 | 1 000 | 1 000 | | 1 000 | 900 | 1 500 |
| Trade and other payables | 4 | 33 972 | 65 398 | 94 021 | 20 000 | 20 000 | 20 000 | – | 25 000 | 20 000 | 15 000 |
| Provisions | | 814 | 760 | 1 073 | | | | | | | |
| **Total current liabilities** | | **37 108** | **69 655** | **97 097** | **21 800** | **21 800** | **21 800** | **–** | **26 700** | **21 500** | **17 000** |
| **Non current liabilities** | | | | | | | | | | | |
| Borrowing | | 10 344 | 8 914 | 8 937 | 8 937 | 8 937 | 8 937 | – | 7 000 | 6 000 | 5 500 |
| Provisions | | 16 708 | 25 298 | 28 190 | 10 500 | 10 500 | 10 500 | – | 10 500 | 10 500 | 10 500 |
| **Total non current liabilities** | | **27 052** | **34 212** | **37 127** | **19 437** | **19 437** | **19 437** | **–** | **17 500** | **16 500** | **16 000** |
| **TOTAL LIABILITIES** | | **64 161** | **103 867** | **134 224** | **41 237** | **41 237** | **41 237** | **–** | **44 200** | **38 000** | **33 000** |
| **NET ASSETS** | 5 | **539 613** | **513 152** | **505 633** | **613 726** | **617 974** | **617 974** | **–** | **641 353** | **673 079** | **704 715** |
| **COMMUNITY WEALTH/EQUITY** | | | | | | | | | | | |
| Accumulated Surplus/(Deficit) | | 539 829 | 513 152 | 505 633 | 613 526 | 617 974 | 617 974 | | 641 353 | 673 079 | 704 715 |
| Reserves | 4 | – | – | – | – | – | – | – | – | – | – |
| **TOTAL COMMUNITY WEALTH/EQUITY** | 5 | **539 829** | **513 152** | **505 633** | **613 526** | **617 974** | **617 974** | **–** | **641 353** | **673 079** | **704 715** |

**FS183 Tswelopele - Table A7 Budgeted Cash Flows**

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | | | | | | | |
| **Receipts** | | | | | | | | | | | |
| Property rates | | 12 085 | 13 552 | 16 113 | 16 000 | 18 540 | 18 540 | | 21 000 | 22 710 | 24 591 |
| Service charges | | 40 344 | 33 751 | 42 752 | 59 700 | 59 700 | 59 700 | | 60 150 | 67 578 | 74 726 |
| Other revenue | | 2 063 | 2 231 | 269 | 1 631 | 1 736 | 1 736 | | 2 241 | 2 080 | 2 255 |
| Transfers and Subsidies - Operational | 1 | 71 291 | 95 728 | 102 089 | 77 513 | 77 513 | 77 513 | | 82 114 | 86 452 | 91 487 |
| Transfers and Subsidies - Capital | 1 | 28 425 | – | | 16 488 | 16 488 | 16 488 | | 26 405 | 29 474 | 30 832 |
| Interest | | 2 736 | 1 356 | 1 222 | 1 200 | 1 200 | 1 200 | | 1 600 | 1 760 | 1 936 |
| Dividends | | 49 | 20 | 51 | 43 | 43 | 43 | | 100 | 110 | 121 |
| **Payments** | | | | | | | | | | | |
| Suppliers and employees | | (130 103) | (107 871) | (117 978) | (152 661) | (150 994) | (150 994) | | (129 378) | (138 354) | (151 750) |
| Finance charges | | (2 456) | (4 666) | (5 936) | (3 108) | (3 108) | (3 108) | | (2 508) | (2 759) | (3 035) |
| Transfers and Grants | 1 | | | | | | | | (34 333) | (36 375) | (39 336) |
| **NET CASH FROM/(USED) OPERATING ACTIVITIES** | | **24 435** | **34 101** | **38 583** | **16 805** | **21 117** | **21 117** | **–** | **27 391** | **32 677** | **31 827** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | | | | | |
| **Receipts** | | | | | | | | | | | |
| Proceeds on disposal of PPE | | 1 092 | | | | | | | – | – | – |
| Decrease (increase) in non-current receivables | | | | | | | | | – | – | – |
| Decrease (increase) in non-current investments | | 4 495 | | | | | | | – | – | – |
| **Payments** | | | | | | | | | | | |
| Capital assets | | (32 306) | (33 659) | (31 056) | (16 763) | (17 801) | (17 801) | | (26 405) | (29 474) | (30 832) |
| **NET CASH FROM/(USED) INVESTING ACTIVITIES** | | **(26 719)** | **(33 659)** | **(31 056)** | **(16 763)** | **(17 801)** | **(17 801)** | **–** | **(26 405)** | **(29 474)** | **(30 832)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | | | | | | |
| **Receipts** | | | | | | | | | | | |
| Short term loans | | | | | | | | | – | – | – |
| Borrowing long term/refinancing | | | | | | | | | – | – | – |
| Increase (decrease) in consumer deposits | | | | | | | | | – | – | – |
| **Payments** | | | | | | | | | | | |
| Repayment of borrowing | | 149 | 410 | (1 466) | (830) | (830) | (830) | | (800) | (800) | (800) |
| **NET CASH FROM/(USED) FINANCING ACTIVITIES** | | **149** | **410** | **(1 466)** | **(830)** | **(830)** | **(830)** | **–** | **(800)** | **(800)** | **(800)** |
| **NET INCREASE/ (DECREASE) IN CASH HELD** | | **(2 134)** | **852** | **6 061** | **(788)** | **2 486** | **2 486** | **–** | **186** | **2 403** | **195** |
| Cash/cash equivalents at the year begin: | 2 | **6 355** | **4 222** | **5 074** | **1 500** | **1 500** | **1 500** | | **4 000** | **4 186** | **6 589** |
| Cash/cash equivalents at the year end: | 2 | **4 221** | **5 074** | **11 135** | **712** | **3 986** | **3 986** | **–** | **4 186** | **6 589** | **6 784** |

**FS183 Tswelopele - Table A8 Cash backed reserves/accumulated surplus reconciliation**

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Cash and investments available** | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | 4 221 | 5 074 | 11 135 | 712 | 3 986 | 3 986 | – | 774 | (2 428) | (7 969) |
| Other current investments > 90 days | | 2 134 | – | – | 2 088 | 1 814 | 1 814 | – | 5 226 | 10 928 | 18 119 |
| Non current assets - Investments | 1 | 948 | 953 | 859 | – | – | – | – | – | – | – |
| **Cash and investments available:** | | **7 304** | **6 027** | **11 995** | **2 800** | **5 800** | **5 800** | **–** | **6 000** | **8 500** | **10 150** |
| **Application of cash and investments** | | | | | | | | | | | |
| Unspent conditional transfers | | – | – | – | – | – | – | – | – | – | – |
| Unspent borrowing | | – | – | – | – | – | – | | – | – | – |
| Statutory requirements | 2 | | | | | | | | | | |
| Other working capital requirements | 3 | 17 321 | 43 027 | 56 877 | (19 769) | (19 843) | (19 843) | – | (6 742) | (1 836) | 4 179 |
| Other provisions | | | | | | | | | | | |
| Long term investments committed | 4 | – | – | – | – | – | – | – | – | – | – |
| Reserves to be backed by cash/investments | 5 | | | | | | | | | | |
| **Total Application of cash and investments:** | | **17 321** | **43 027** | **56 877** | **(19 769)** | **(19 843)** | **(19 843)** | **–** | **(6 742)** | **(1 836)** | **4 179** |
| **Surplus(shortfall)** | | **(10 017)** | **(37 000)** | **(44 882)** | **22 569** | **25 643** | **25 643** | **–** | **12 742** | **10 336** | **5 971** |

**FS183 Tswelopele - Table A9 Asset Management**

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **CAPITAL EXPENDITURE** | | | | | | | | | | |
| **Total New Assets** | 1 | 33 166 | 33 760 | 31 219 | 16 763 | 16 763 | 16 763 | 29 242 | 31 326 | 32 687 |
| *Roads Infrastructure* | | 5 665 | 2 402 | 5 665 | 6 396 | 6 396 | 6 396 | 3 492 | 16 070 | 16 602 |
| *Storm water Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Electrical Infrastructure* | | 1 918 | 1 434 | 1 918 | 2 020 | 2 020 | 2 020 | – | – | – |
| *Water Supply Infrastructure* | | 4 472 | 9 804 | 4 472 | 25 | 25 | 25 | 10 000 | 12 033 | 14 520 |
| *Sanitation Infrastructure* | | 11 244 | – | 9 131 | 7 430 | 7 430 | 7 430 | 12 302 | 585 | 30 |
| *Solid Waste Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Rail Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Coastal Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Information and Communication Infrastructure* | | – | – | – | – | – | – | – | – | – |
| **Infrastructure** | | ***23 299*** | ***13 640*** | ***21 187*** | ***15 871*** | ***15 871*** | ***15 871*** | ***25 793*** | ***28 688*** | ***31 152*** |
| Community Facilities | | 169 | – | – | – | – | – | 1 337 | 316 | 286 |
| Sport and Recreation Facilities | | 7 472 | – | 171 | 742 | 742 | 742 | 745 | 844 | – |
| **Community Assets** | | ***7 641*** | – | ***171*** | ***742*** | ***742*** | ***742*** | ***2 082*** | ***1 160*** | ***286*** |
| **Heritage Assets** | | – | – | – | – | – | – | – | – | – |
| Revenue Generating | | – | – | – | – | – | – | – | – | – |
| Non-revenue Generating | | – | – | – | – | – | – | – | – | – |
| **Investment properties** | | – | – | – | – | – | – | – | – | – |
| Operational Buildings | | 1 629 | – | – | – | – | – | 1 032 | 1 135 | 1 248 |
| Housing | | – | – | – | – | – | – | – | – | – |
| **Other Assets** | | ***1 629*** | – | – | – | – | – | ***1 032*** | ***1 135*** | ***1 248*** |
| **Biological or Cultivated Assets** | | – | – | – | – | – | – | – | – | – |
| Servitudes | | – | – | – | – | – | – | – | – | – |
| Licences and Rights | | – | – | – | – | – | – | – | – | – |
| **Intangible Assets** | | – | – | – | – | – | – | – | – | – |
| **Computer Equipment** | | – | – | – | – | – | – | – | – | – |
| **Furniture and Office Equipment** | | 597 | 20 120 | 9 861 | 150 | 150 | 150 | 335 | 344 | – |
| **Machinery and Equipment** | | – | – | – | – | – | – | – | – | – |
| **Transport Assets** | | – | – | – | – | – | – | – | – | – |
| **Land** | | – | – | – | – | – | – | – | – | – |
| **Zoo's, Marine and Non-biological Animals** | | – | – | – | – | – | – | – | – | – |
| **Total Renewal of Existing Assets** | 2 | – | – | – | 8 079 | 8 079 | 8 079 | – | – | – |
| *Roads Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Storm water Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Electrical Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Water Supply Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Sanitation Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Solid Waste Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Rail Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Coastal Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Information and Communication Infrastructure* | | – | – | – | – | – | – | – | – | – |
| **Infrastructure** | | – | – | – | – | – | – | – | – | – |
| Community Facilities | | – | – | – | – | – | – | – | – | – |
| Sport and Recreation Facilities | | – | – | – | 8 079 | 8 079 | 8 079 | – | – | – |
| **Community Assets** | | – | – | – | ***8 079*** | ***8 079*** | ***8 079*** | – | – | – |
| **Heritage Assets** | | – | – | – | – | – | – | – | – | – |
| Revenue Generating | | – | – | – | – | – | – | – | – | – |
| Non-revenue Generating | | – | – | – | – | – | – | – | – | – |
| **Investment properties** | | – | – | – | – | – | – | – | – | – |
| Operational Buildings | | – | – | – | – | – | – | – | – | – |
| Housing | | – | – | – | – | – | – | – | – | – |
| **Other Assets** | | – | – | – | – | – | – | – | – | – |
| **Biological or Cultivated Assets** | | – | – | – | – | – | – | – | – | – |
| Servitudes | | – | – | – | – | – | – | – | – | – |
| Licences and Rights | | – | – | – | – | – | – | – | – | – |
| **Intangible Assets** | | – | – | – | – | – | – | – | – | – |
| **Computer Equipment** | | – | – | – | – | – | – | – | – | – |
| **Furniture and Office Equipment** | | – | – | – | – | – | – | – | – | – |
| **Machinery and Equipment** | | – | – | – | – | – | – | – | – | – |
| **Transport Assets** | | – | – | – | – | – | – | – | – | – |
| **Land** | | – | – | – | – | – | – | – | – | – |
| **Zoo's, Marine and Non-biological Animals** | | – | – | – | – | – | – | – | – | – |
| **Total Upgrading of Existing Assets** | 6 | – | – | – | – | – | – | – | – | – |
| *Roads Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Storm water Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Electrical Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Water Supply Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Sanitation Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Solid Waste Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Rail Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Coastal Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Information and Communication Infrastructure* | | – | – | – | – | – | – | – | – | – |
| **Infrastructure** | | – | – | – | – | – | – | – | – | – |
| Community Facilities | | – | – | – | – | – | – | – | – | – |
| Sport and Recreation Facilities | | – | – | – | – | – | – | – | – | – |
| **Community Assets** | | – | – | – | – | – | – | – | – | – |
| **Heritage Assets** | | – | – | – | – | – | – | – | – | – |
| Revenue Generating | | – | – | – | – | – | – | – | – | – |
| Non-revenue Generating | | – | – | – | – | – | – | – | – | – |
| **Investment properties** | | – | – | – | – | – | – | – | – | – |
| Operational Buildings | | – | – | – | – | – | – | – | – | – |
| Housing | | – | – | – | – | – | – | – | – | – |
| **Other Assets** | | – | – | – | – | – | – | – | – | – |
| **Biological or Cultivated Assets** | | – | – | – | – | – | – | – | – | – |
| Servitudes | | – | – | – | – | – | – | – | – | – |
| Licences and Rights | | – | – | – | – | – | – | – | – | – |
| **Intangible Assets** | | – | – | – | – | – | – | – | – | – |
| **Computer Equipment** | | – | – | – | – | – | – | – | – | – |
| **Furniture and Office Equipment** | | – | – | – | – | – | – | – | – | – |
| **Machinery and Equipment** | | – | – | – | – | – | – | – | – | – |
| **Transport Assets** | | – | – | – | – | – | – | – | – | – |
| **Land** | | – | – | – | – | – | – | – | – | – |
| **Zoo's, Marine and Non-biological Animals** | | – | – | – | – | – | – | – | – | – |
| **Total Capital Expenditure** | 4 | 33 166 | 33 760 | 31 219 | 24 842 | 24 842 | 24 842 | 29 242 | 31 326 | 32 687 |
| *Roads Infrastructure* | | 5 665 | 2 402 | 5 665 | 6 396 | 6 396 | 6 396 | 3 492 | 16 070 | 16 602 |
| *Storm water Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Electrical Infrastructure* | | 1 918 | 1 434 | 1 918 | 2 020 | 2 020 | 2 020 | – | – | – |
| *Water Supply Infrastructure* | | 4 472 | 9 804 | 4 472 | 25 | 25 | 25 | 10 000 | 12 033 | 14 520 |
| *Sanitation Infrastructure* | | 11 244 | – | 9 131 | 7 430 | 7 430 | 7 430 | 12 302 | 585 | 30 |
| *Solid Waste Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Rail Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Coastal Infrastructure* | | – | – | – | – | – | – | – | – | – |
| *Information and Communication Infrastructure* | | – | – | – | – | – | – | – | – | – |
| **Infrastructure** | | ***23 299*** | ***13 640*** | ***21 187*** | ***15 871*** | ***15 871*** | ***15 871*** | ***25 793*** | ***28 688*** | ***31 152*** |
| Community Facilities | | 169 | – | – | – | – | – | 1 337 | 316 | 286 |
| Sport and Recreation Facilities | | 7 472 | – | 171 | 8 821 | 8 821 | 8 821 | 745 | 844 | – |
| **Community Assets** | | ***7 641*** | – | ***171*** | ***8 821*** | ***8 821*** | ***8 821*** | ***2 082*** | ***1 160*** | ***286*** |
| **Heritage Assets** | | – | – | – | – | – | – | – | – | – |
| Revenue Generating | | – | – | – | – | – | – | – | – | – |
| Non-revenue Generating | | – | – | – | – | – | – | – | – | – |
| **Investment properties** | | – | – | – | – | – | – | – | – | – |
| Operational Buildings | | 1 629 | – | – | – | – | – | 1 032 | 1 135 | 1 248 |
| Housing | | – | – | – | – | – | – | – | – | – |
| **Other Assets** | | ***1 629*** | – | – | – | – | – | ***1 032*** | ***1 135*** | ***1 248*** |
| **Biological or Cultivated Assets** | | – | – | – | – | – | – | – | – | – |
| Servitudes | | – | – | – | – | – | – | – | – | – |
| Licences and Rights | | – | – | – | – | – | – | – | – | – |
| **Intangible Assets** | | – | – | – | – | – | – | – | – | – |
| **Computer Equipment** | | – | – | – | – | – | – | – | – | – |
| **Furniture and Office Equipment** | | 597 | 20 120 | 9 861 | 150 | 150 | 150 | 335 | 344 | – |
| **Machinery and Equipment** | | – | – | – | – | – | – | – | – | – |
| **Transport Assets** | | – | – | – | – | – | – | – | – | – |
| **Land** | | – | – | – | – | – | – | – | – | – |
| **Zoo's, Marine and Non-biological Animals** | | – | – | – | – | – | – | – | – | – |
| **TOTAL CAPITAL EXPENDITURE - Asset class** | | 33 166 | 33 760 | 31 219 | 24 842 | 24 842 | 24 842 | 29 242 | 31 326 | 32 687 |
| **ASSET REGISTER SUMMARY - PPE (WDV)** | 5 | 580 573 | 585 890 | 588 214 | 611 763 | 611 763 | 611 763 | 637 557 | 653 667 | 684 466 |
| *Roads Infrastructure* | | 51 478 | 94 207 | 58 436 | 141 179 | 141 179 | 141 179 | 144 671 | 148 163 | 166 320 |
| *Storm water Infrastructure* | | – | | | – | – | – | – | – | – |
| *Electrical Infrastructure* | | 62 174 | 44 631 | 25 771 | 53 089 | 53 089 | 53 089 | 53 089 | 53 089 | 53 089 |
| *Water Supply Infrastructure* | | 105 790 | 188 044 | 41 122 | 265 897 | 265 897 | 265 897 | 275 897 | 287 930 | 300 542 |
| *Sanitation Infrastructure* | | 80 594 | 71 450 | 78 759 | 118 420 | 118 420 | 118 420 | 130 722 | 131 307 | 131 337 |
| *Solid Waste Infrastructure* | | 69 865 | 5 310 | 184 157 | 8 178 | 8 178 | 8 178 | 8 178 | 8 178 | 8 178 |
| *Rail Infrastructure* | | | | | | | | | | |
| *Coastal Infrastructure* | | | | | | | | | | |
| *Information and Communication Infrastructure* | | | | | | | | | | |
| **Infrastructure** | | ***369 901*** | ***403 643*** | ***388 246*** | ***586 763*** | ***586 763*** | ***586 763*** | ***612 557*** | ***628 667*** | ***659 466*** |
| **Community Assets** | | 113 981 | 102 572 | 94 809 | | | | | | |
| **Heritage Assets** | | | | | | | | | | |
| **Investment properties** | | ***22 858*** | ***47 015*** | ***45 484*** | ***24 000*** | ***24 000*** | ***24 000*** | ***24 000*** | ***24 000*** | ***24 000*** |
| **Other Assets** | | 70 659 | 31 789 | 58 481 | | | | | | |
| **Biological or Cultivated Assets** | | ***3 174*** | ***871*** | ***1 195*** | ***1 000*** | ***1 000*** | ***1 000*** | ***1 000*** | ***1 000*** | ***1 000*** |
| **Intangible Assets** | | | | | | | | | | |
| **Computer Equipment** | | | | | | | | | | |
| **Furniture and Office Equipment** | | | | | | | | | | |
| **Machinery and Equipment** | | | | | | | | | | |

**FS183 Tswelopele - Table A10 Basic service delivery measurement**

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Outcome | Outcome | Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| **Household service targets** | 1 | | | | | | | | | |
| ***Water:*** | | | | | | | | | | |
| Piped water inside dwelling | | 7 650 | 7 650 | 7 650 | 7 650 | 7 650 | 7 650 | 7 650 | 7 650 | 7 650 |
| Piped water inside yard (but not in dwelling) | | 14 044 | 14 044 | 14 044 | 14 044 | 14 044 | 14 044 | 14 044 | 14 044 | 14 044 |
| Using public tap (at least min.service level) | 2 | 1 264 | 1 264 | 1 264 | 1 264 | 1 264 | 1 264 | 1 264 | 1 264 | 1 264 |
| Other water supply (at least min.service level) | 4 | – | – | – | – | – | – | – | – | – |
| *Minimum Service Level and Above sub-total* | | 22 958 | 22 958 | 22 958 | 22 958 | 22 958 | 22 958 | 22 958 | 22 958 | 22 958 |
| Using public tap (< min.service level) | 3 | 1 028 | 1 028 | 1 028 | 1 028 | 1 028 | 1 028 | 1 028 | 1 028 | 1 028 |
| Other water supply (< min.service level) | 4 | – | – | – | – | – | – | – | – | – |
| No water supply | | – | – | – | – | – | – | – | – | – |
| *Below Minimum Service Level sub-total* | | 1 028 | 1 028 | 1 028 | 1 028 | 1 028 | 1 028 | 1 028 | 1 028 | 1 028 |
| **Total number of households** | 5 | **23 986** | **23 986** | **23 986** | **23 986** | **23 986** | **23 986** | **23 986** | **23 986** | **23 986** |
| ***Sanitation/sewerage:*** | | | | | | | | | | |
| Flush toilet (connected to sewerage) | | 18 426 | 23 984 | 23 984 | 23 984 | 23 984 | 23 984 | 23 984 | 23 984 | 23 984 |
| Flush toilet (with septic tank) | | – | – | – | – | – | – | – | – | – |
| Chemical toilet | | – | – | – | – | – | – | – | – | – |
| Pit toilet (ventilated) | | – | – | – | – | – | – | – | – | – |
| Other toilet provisions (> min.service level) | | – | – | – | – | – | – | – | – | – |
| *Minimum Service Level and Above sub-total* | | 18 426 | 23 984 | 23 984 | 23 984 | 23 984 | 23 984 | 23 984 | 23 984 | 23 984 |
| Bucket toilet | | – | – | – | – | – | – | – | – | – |
| Other toilet provisions (< min.service level) | | – | – | – | – | – | – | – | – | – |
| No toilet provisions | | – | – | – | – | – | – | – | – | – |
| *Below Minimum Service Level sub-total* | | – | – | – | – | – | – | – | – | – |
| **Total number of households** | 5 | **18 426** | **23 984** | **23 984** | **23 984** | **23 984** | **23 984** | **23 984** | **23 984** | **23 984** |
| ***Energy:*** | | | | | | | | | | |
| Electricity (at least min.service level) | | 22 042 | 22 042 | 22 042 | 22 042 | 22 042 | 22 042 | 22 042 | 22 042 | 22 042 |
| Electricity - prepaid (min.service level) | | – | – | – | – | – | – | – | – | – |
| *Minimum Service Level and Above sub-total* | | 22 042 | 22 042 | 22 042 | 22 042 | 22 042 | 22 042 | 22 042 | 22 042 | 22 042 |
| Electricity (< min.service level) | | – | – | – | – | – | – | – | – | – |
| Electricity - prepaid (< min. service level) | | – | – | – | – | – | – | – | – | – |
| Other energy sources | | – | – | – | – | – | – | – | – | – |
| *Below Minimum Service Level sub-total* | | – | – | – | – | – | – | – | – | – |
| **Total number of households** | 5 | **22 042** | **22 042** | **22 042** | **22 042** | **22 042** | **22 042** | **22 042** | **22 042** | **22 042** |
| ***Refuse:*** | | | | | | | | | | |
| Removed at least once a week | | 17 822 | 17 822 | 17 822 | 17 822 | 17 822 | 17 822 | 17 822 | 17 822 | 17 822 |
| *Minimum Service Level and Above sub-total* | | 17 822 | 17 822 | 17 822 | 17 822 | 17 822 | 17 822 | 17 822 | 17 822 | 17 822 |
| Removed less frequently than once a week | | 86 | 86 | 86 | 86 | 86 | 86 | 86 | 86 | 86 |
| Using communal refuse dump | | 170 | 170 | 170 | 170 | 170 | 170 | 170 | 170 | 170 |
| Using own refuse dump | | 3 270 | 3 270 | 3 270 | 3 270 | 3 270 | 3 270 | 3 270 | 3 270 | 3 270 |
| Other rubbish disposal | | 2 078 | 2 078 | 2 078 | 2 078 | 2 078 | 2 078 | 2 078 | 2 078 | 2 078 |
| No rubbish disposal | | 558 | 558 | 558 | 558 | 558 | 558 | 558 | 558 | 558 |
| *Below Minimum Service Level sub-total* | | 6 162 | 6 162 | 6 162 | 6 162 | 6 162 | 6 162 | 6 162 | 6 162 | 6 162 |
| **Total number of households** | 5 | **23 984** | **23 984** | **23 984** | **23 984** | **23 984** | **23 984** | **23 984** | **23 984** | **23 984** |
| **Households receiving Free Basic Service** | 7 | | | | | | | | | |
| Water (6 kilolitres per household per month) | | 11 500 | 11 500 | 11 992 | 11 992 000 | 11 992 000 | 11 992 000 | 11 992 000 | 11 992 000 | 11 992 000 |
| Sanitation (free minimum level service) | | 3 215 | 3 900 | 4 980 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 |
| Electricity/other energy (50kwh per household per month) | | 11 500 | 11 500 | 4 980 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 |
| Refuse (removed at least once a week) | | 3 215 | 3 900 | 4 980 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 |

## 5. Explanatory notes to budget

Table A1 is a summary of the budget of Tswelopele Local Municipality that gives an overview of the of the budget, it includes, the following key aspects.

**Financial Performance:** This is a summary of income statement of the Municipality
**Capital Expenditure and funding sources:** This gives a brief overview of the capital expenditure and its funding sources
**Financial Position:** This is the balance sheet of Tswelopele Local Municipality

**Cash Flow:** This gives a brief overview of the Cash flow of the Municipality
**Asset Management:** This is the overview of the total assets of the Municipality
**Free Services:** This section gives the total amount of free basic services as provided by the municipality. This is the most important as it gives users of the budget a "snapshot" of what is going to follow in the next nine (9) main table

### Explanatory Notes to Table A2

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per functional classification.
2. Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4 as Table A4 exclude capital transfers

### Explanatory Note to Table A3

1. Table A3 is an overview of the budgeted financial performance in relation to the revenue and expenditure per municipal vote.

2. From the above it can be seen that all trading services are making surpluses, and this is attributable to the following

    a. Council proposes a 6.24% on electricity tariffs as per proposal on NERSA guidline

b. An increase of 5.0% on refuse, 5.0% on sewerage and 5.0% on water tariffs and 5.0% on Property rates

c. Cut on non-priority spending

3. Profits made on this services are used to subsidise non-trading services

**Explanatory note on table A4**

1. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the budgeted revenue of Tswelopele Local Municipality
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Major component of expenditure relates to employee costs.
4. Transfers recognised – capital is decreasing over the mid-term and this is due to the decrease in the population of the community of Tswelopele Local Municipality according to Census 2011 data.

**Explanatory note on Table A5**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.

**Explanatory Notes to Table A6**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order

of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

**Explanation to Table A7**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

**Explanatory note to table A8**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. Considering the requirements of section 18 of the MFMA, it can be concluded that the draft budget for 2020/2021 MTREF is funded because Municipality anticipates making a profit over the MTREF.

**Explanatory Note for Table A9**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

**Explanatory notes to Table A10**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

**PART 2**

## 1. Municipal budget process

Municipal Financial Management Act (MFMA) mentions six (6) steps (i.e. Planning, Strategizing, Preparing, Tabling, Consulting and Finalising/ Adopting) that the municipality must follow in order to prepare the annual budget that is credible. The planning and strategizing processes started with the preparation of budget timelines as required by MFMA and IDP review process plan. Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the annual budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

Due to the size of the municipality, the functions of the Budget Steering Committee are performed by the Finance Committee and much still needs to be done to ensure that the committee is effective throughout the financial year and exercises oversight not only on the budget but the overall financial management at the municipality and advice / recommend to Council accordingly. Furthermore, there is a need for resuscitation of the MSA section 79 committee to assist Council in playing its oversight role on the administration matters of the municipality.

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2019) a time schedule that sets out the process to revise the IDP and prepare the annual budget. The Mayor tabled the required IDP process plan and budget timeline schedule in line with the applicable legislation. The IDP process plan and budget timeline schedule were tabled to Council during August 2019.

As per the budget timelines all the department heads were asked to give their inputs on the annual budget. The Budget & Treasury Office of the municipality under the leadership of the Chief Financial Officer prepared the draft budget, which will be tabled to Council at the end of March 2020 as stipulated in the MFMA.

Council having approved the draft budget, the municipality must embark on the public participation process. Annual budget and IDP of the municipality will be placed at municipal offices and libraries and communities and relevant stakeholders were requested to provide inputs on the tabled budget.

The Mayor, assisted by Councillors and Municipal Officials will embark on the community consultations at various wards within the municipality.

The public participation processes is used as an arena for co-management in which the community and the municipality decide together where and how the resources will be allocated. Furthermore, it is the objective of the municipality to move away from informing the community about what it plans to do, but rather to allow the community to influence development and resource allocation.

## 2. Overview of the alignment of annual budget with integrated development plan

The annual review of the Integrated Development Plan is a legislative requirement in terms of section 34 of the Municipal Systems Act. It stipulates that a Municipal Council must review its integrated plan annually in accordance with an assessment of its performance measurements in terms of section 41; and to the extent that changing circumstances so demand; and may amend its integrated development plan in accordance with a prescribed process. The Annual Budget and the IDP are inextricably linked to one another, something that has been formalised through the promulgation of the Municipal Finance Management Act in 2004.

In compliance with the Municipal Structures Act and Municipal Finance Management Act the municipality's budget must be informed by and aligned to the IDP objectives. The budgetary allocations for both capital and operating expenditure need to be undertaken in a manner that will not only ensure that the IDP outcomes are achieved but also leads to the municipality's vision being realized. This ensures that the IDP directs the development and implementation of projects.

Over the years, Auditor General has been raising exceptions that the Integrated Development Plan and Annual Budget are not aligned to each other. Furthermore, the Key Performance Indicators were not measurable and with no target dates. The performance management system is also not effective at the municipality as there is no dedicated unit or official entrusted with performance management. This in essence affected the audit opinion of the Auditor General on the predetermined objectives (although this was not necessarily expressed / reported in the audit report).

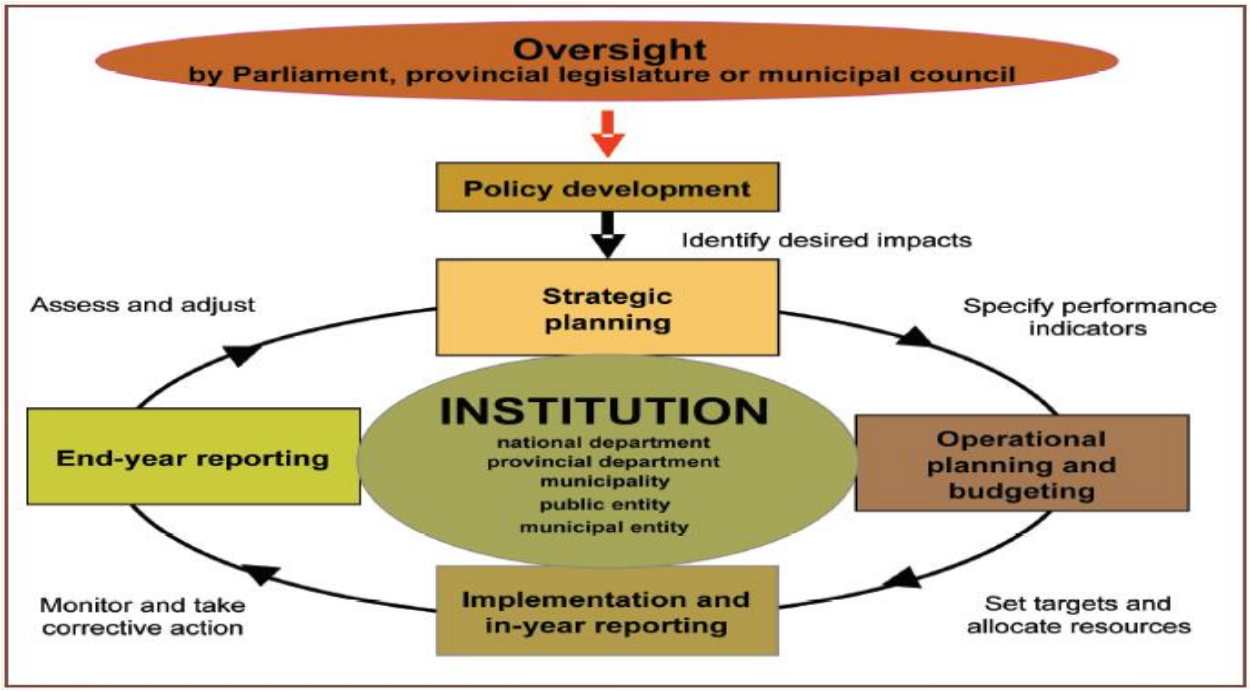
For the 2020/2021 financial year, quite substantial effort has been devoted towards ensuring that the Integrated Development Plan and Annual Budget are aligned as required by the MFMA. The process of reconciling financial plan to its Integrated Development Plan created a whole new

method of budgeting at the municipality. Council will in the future ensure that priorities within the budget are focused towards its strategies and objectives.

### 3. Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the predetermined strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has reviewed and will operationalize its performance management framework. The following diagram further explains the process of planning, budgeting and reporting in Municipal environment:

***Graph - Planning and Reporting Cycle***




A concentrated effort was made during the IDP review to ensure that it contains measurable performance objectives. From the measurable performance objectives, key performance indicators will be deduced to be included in the service delivery and budget implementation plan when it is submitted to the Mayor for approval (subsequent to the approval of the IDP and MTREF by Council).

In line with section 69(3) (a) of the Municipal Finance Management Act, which requires the Accounting Officer to submit a Service Delivery and Budget Implementation Plan (SDBIP) to the

Mayor no later than 14 days after the approval of the budget and drafts of the performance agreement as required in terms of section 57 (1) (b) of the Municipal Systems Act, plans are in place to ensure compliance with this prescript.

The Service Delivery and Budget Implementation Plan will provide a vital link between the Mayor, Council (executive) and the Administration, and facilitates the process for holding management accountable for its performance. It is the intention of Management to properly formulate the SDBIP to ensure that appropriate information is circulated internally and externally for purposes of monitoring the execution of the budget, performance of senior management and achievement of the strategic objectives set by council. The table below shows the performance indicators of the Municipality.

### 3.1. Performance indicators and Benchmarking

The following ratios are the analysis of performance of the Municipality for 2020/2021

- ***Current Ratio***

The current ratio measures the ability of the municipality to pay off its short term liability, the ratio should be 2:1, to assets.

- ***Gearing***

Gearing measures to what extend are the operation of the Municipality financed form Borrowings, and the gearing of the Municipality is zero (o), and this is a good sign, because it shows that the Municipality is not relying on borrowings

- ***Creditors Management***

The municipality anticipates that it will be in a position to pay off its 100% creditors by the due date; this is in terms of section 65 of the Municipal Finance Management Act

The anticipated performance of the municipality is on an acceptable level.

## 4. Overview of budget related policies

Tswelopele Budget process is guided and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to govern and guide process and inform the projections of the medium term. The following budget related policies:

### 4.1. Review of credit control and debt collection policies

The Municipality aims to increase the collection rate to average 95% by the end of 2020/2021 Financial Year

Despite a credible policy that has been adopted by Municipal Council for the 2019/20 financial year, there has been a great challenge in terms of its effective implementation. Failure to adhere to the policy and ineffective procedures has led increase in debtors. Robust credit control will come handy for the municipality to collect the budgeted revenue and the current outstanding debtors.

One of the deliverables for the Municipal Manager and Senior Managers is the development of a revenue enhancement strategy with view of increasing revenue collection. However, the culture of non-payment for services has inculcated into the community. As such political will, support and buy-in will be essential to change the mind-set of the communities.

### 4.2. Asset Management Policy

The Municipality fully implemented generally recognised accounting principle (GRAP 17) and a policy on asset management was approved by council during 2019/2020 financial year. The Asset Management policy is considered as a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

### 4.3. Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council during 2007 and has been reviewed on an annual basis since then. The policy last reviewed for 2019/2020 financial year and there has been no changes to the policy.

### 4.4. Budget and Virement Policy

These policies are aimed at guiding the municipality in terms of compiling a credible and funded budget as required by the MFMA and also to guide the municipality in terms of shifting of funds during the financial year. In addition to these policies, the mid-year budget assessment is used to guide and inform the mid-year performance review and adjustment budget process.

The Municipality doesn't have an adjustment budget policy as the adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities.

### 4.5. Investment Policy

The cash management and investment policy was amended by Council for implementation during 2019/2020 financial year. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves and conditional grants that needs to be cash-backed. There are no significant changes effected to the policy.

### 4.6. Tariff Policy

The municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration that all proposed tariffs reflect the cost of providing such services. Over the years, the increase in tariffs was not always commensurate with the inflation rate. There were financial years where certain tariffs were not increased at all. This is currently having negative impact on the budget as the current tariffs are not cost-reflective. The need has aroused to increase the tariff with rate higher than the inflation to catch up with the years where increases were not implemented.

### 4.7. Property Rates Policy

Tswelopele Local Municipality's property rates policy provides a framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy is directly informed by section 229 of the Constitution of the Republic of South Africa and the Municipal Property Rates Act, act 6 of 2004.

### 4.8. Indigent Policy

The aim of the policy is to guide the municipality on the process of how to identify and register the indigent households in the Municipality. The indigent support policy was last reviewed during 2019/2020 financial year and this policy prescribes the threshold for indigent consumers as well as the free basic service component. The municipality has been experiencing problems where indigent consumers have been utilising services above the threshold thereby being unable to pay for the services, especially on water. There are no major changes to the policy other than the move to say, that only indigent household be provided with free basic electricity. There is a need for the development of free basic services policy and possible promulgation of the by-law. The policy is currently being reviewed.

### 4.9. Bad debt write off policy

The policy guides how and when the municipality should write off its debtors, the current debtor's book is approximately R99.9 million and it is in the light of the above that the policy was reviewed.

### 4.10. Other Related Policies

Municipality has also reviewed the following policies which have direct impact on the Annual Budget of the Municipality:

- Customer Care Policy
- Deposit Policy
- Petty Cash Policy

Soft copies of the policies may be downloaded from Tswelopele local Municipality website: *www.tswelopele.gov.za*

## 5. Overview of budget assumptions

The budget was prepared on the incremental budgeting process with the assumption that goods and services as previously budgeted will increase by a certain percentage which is more than the current CPI and zero based budgeting mainly on Petrol. The following tariffs were increased; Sewerage .0%, Refuse 5.0%, water 5.0%, Electricity 6.22% and property rates 5.0%. Salaries are budgeted for an increase of 6.24%, this is informed by South African Local Bargaining Council collective agreement on salaries, the agreement as was concluded. National Treasury MFMA circulars were used for other assumptions of the budget and the following are some of the assumptions made:

1. Economic climate and poverty levels within the municipality will remain the same / constant for major part of the financial year given the limited economic activities with the vicinity;

2. Cash flow projections will be strictly maintained to ensure the municipality's ability to meet its financial obligations;

3. Operational costs will be maintained at current levels or reduced as cost containment measures and where there is material decrease in revenue collection rate, expenditure will have to be reduced at the same proportion;

4. Filling of vacant posts will be prioritised taking into account the cash flow projections of the municipality;

5. Revenue collection levels will not increase substantially due to the impact Covid 19 had on the economy.

## 6. Overview of the funding of the budget

MFMA section 18 states that the expenditure of the budget may only be funded from:

- Realistically anticipated revenue to be collected
- Cash-backed accumulated funds from previous years' surpluses not committed for other purposes
- Borrowed funds, but only for capital budget referred to in section 17 (2).

Tswelopele local municipality operating budget totals R 156 million and is funded from:

- Grants
- Service Charges
- Other revenue

The capital budget of the municipal totals R27.9 million, and is funded from:

- Municipal Infrastructure Grant
- Water Grant
- Internally Generated Funds

## 7. Expenditure on Allocations and Grant Programmes

Total Grants Allocated to Tswelopele Local Municipality are disclosed on table SA18

- **Financial Management Grant**

Total allocation to Tswelopele Local Municipality is R 1 900 000, the condition of the grant is that the municipality must appoint five (5) financial interns, the municipality has appointed Six (6) interns and the stipends will be R 720 000, the grant is used for training of the municipal budget and treasury office officials, the grant will also be used to fund Standard chart of account (SCOA) Project.

- **Municipal infrastructure grant**

The total allocation is R 16 405 000 and this amount will be spent on the following projects:

- Construction of Toilet Structures & Sewer Reticulation and Connections: Phahameng
- Upgrading of Sports facilities: Phahameng/ Bultfontein
- Fencing of cemeteries: Phahameng
- Construction of High mast lights: Tikwana/ Hoopstad
- Water project

- **Expanded Public Works Grant**

As per the division of Revenue Act, the Municipality will receive R 1 168 000 for EPWP projects

## 8. Allocations made by the municipality

Tswelopele Local Municipality uses equitable share to subsidise indigent households, the following table depicts this situation:

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Outcome | Outcome | Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Water (6 kilolitres per household per month) | | 11 500 | 11 500 | 11 992 | 11 992 000 | 11 992 000 | 11 992 000 | 11 992 000 | 11 992 000 | 11 992 000 |
| Sanitation (free minimum level service) | | 3 215 | 3 900 | 4 980 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 |
| Electricity/other energy (50kwh per household per month) | | 11 500 | 11 500 | 4 980 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 |
| Refuse (removed at least once a week) | | 3 215 | 3 900 | 4 980 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 | 4 980 000 |
| | | | | | | | | | | |
| **Cost of Free Basic Services provided - Formal Settlements (R'000)** | 8 | | | | | | | | | |
| Water (6 kilolitres per indigent household per month) | | 2 944 | 2 805 | 3 734 | 1 700 | 1 700 | 1 700 | 1 700 | 1 700 | 1 700 |
| Sanitation (free sanitation service to indigent households) | | 1 695 | 2 261 | 3 044 | 1 800 | 1 800 | 1 800 | 1 800 | 1 800 | 1 800 |
| Electricity/other energy (50kwh per indigent household per month) | | 6 035 | 6 518 | 3 705 | 3 120 | 3 120 | 3 120 | 3 120 | 3 120 | 3 120 |
| Refuse (removed once a week for indigent households) | | 1 128 | 1 505 | 2 116 | 1 700 | 1 700 | 1 700 | 1 700 | 1 700 | 1 700 |
| **Cost of Free Basic Services provided - Informal Formal Settlements (R'000)** | | – | – | – | – | – | – | – | – | – |
| **Total cost of FBS provided** | | **11 801** | **13 088** | **12 598** | **8 320** | **8 320** | **8 320** | **8 320** | **8 320** | **8 320** |

Every household is receives 6 kl of water and indigent households receive 50 kwh of electricity, and the households that are 100% indigent also receive free sanitation and free removal of refuse.

## 9. Councillor and board members allowance and employee benefits

The actual increase will be determined when the Government Gazette on the Upper Limits of Councillors is issued and the necessary processes as per the gazette will be followed prior to implementation. The Municipal System Act requires the Municipal Manager to develop a staff establishment for the municipality within a policy framework determined by the municipal council and subject to any applicable legislation.

The Municipal Manager must submit the staff establishment to Council for consideration and approval. The Municipal System Act further requires the Municipal Manager to provide a job description for each post on the staff establishment and to attach to those posts the remuneration and other conditions of service as may be determined in accordance with any applicable labour legislation. The increase on employee benefit was according to the South African Local Bargaining Council collective agreement. In terms of the collective agreement, the municipality must fill all critical positions.

## 10. Contracts having future budgetary implications

In terms of regulation to the Municipal Finance Management Act, long term contracts are contracts that are more than 3 years and as such, the municipality do not have such contracts and further does not intend to enter into contracts that have future budgetary implications. In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Budget and Treasury Office.

## 11. Capital Expenditure Details

The total allocation is R16 405 000 and this amount will be spent on the following projects:

- Construction of Toilet Structures & Sewer Reticulation and Connections: Phahameng
- Upgrading of Sports facilities: Phahameng/ Bultfontein

- Fencing of cemeteries: Phahameng
- Construction of High mast lights: Tikwana/ Hoopstad

**12. Legislation Compliance**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

   Reporting to National Treasury in electronic format was fully complied with on a monthly basis.

2. Internship programme

   Tswelopele Local Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office

   The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

   An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

   The detail SDBIP document is on a draft stage

6. Annual Report

   Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. Integrated Development Plan and approval of the annual budget

The reviewed IDP of the Municipality will be tabled to Council during March 2020 together with the Budget of the municipality. Subsequently, the public consultations will take place with the relevant stakeholders.

9. Policies and bylaws

The municipality has compiled the various policies as required by various legislations as well as the Municipal Budget and Reporting regulations. The challenge has been on implementation and adherence to such policies subsequent to their approval by Council. Bylaws are yet to be promulgated, currently at draft / compilation stage.

## 13. Quality Certificate

TSWELOPELE
LOCAL MUNICIPALITY
A MUNICIPALITY IN PROGRESS

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9670

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**MUNICIPAL MANAGER'S QUALITY CERTIFICATE**

I, **MRE Mogopodi**, the Municipal Manager of **TSWELOPELE LOCAL MUNICIPALITY (FS 183),** hereby certify that the Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the act, and that the annual budget and supporting documents are consistent with the integrated development plan of the municipality.

Print Name: _____

Signature: _____

Date: _____